

OVERSEAS MOVING
BY MICHAEL GERSON
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WORLD NEWS

Jaruzelski stands aside on presidency

Polish leader General Wojciech Jaruzelski announced last night that he would not be standing for the new post of state president. Instead he recommended Interior Minister General Czeslaw Kiszczak for the position.

Solidarity leader Lech Walesa, whose free trade union holds 46 per cent of National Assembly seats, was said to be flying to Warsaw for talks on whether his movement could back Kiszczak, a pro-reformist. Page 22

Blackmail probe

Police in London questioned two Britons about an international probe into a £169,000 blackmail attempt on a big West German supermarket chain which has been hit by six firebomb attacks. Page 3

Sudanese coup

Sudan's Government was ousted in an army coup, the country's third since 1966. Prime Minister Sadiq el Mahdi and other ministers were arrested. Page 22; Background, Page 2

Bomb blasts boat

The five crew of the Scottish fishing boat Ha' burn escaped unhurt when a 1,000lb wartime bomb which caught in their nets exploded in the Firth of Clyde and wrecked the ship. A lifeboat picked them up.

Ross site work halted

The Ross Theatre Trust was granted a temporary High Court ban on preparatory building work on the site of the Elizabethan playhouse in Southwark, south London.

Gromyko III

Former Soviet Foreign Minister Andrei Gromyko, who will be 80 this month, is "satisfactory" in hospital after undergoing surgery.

Chemical arms deal

Moscow and Washington have agreed details of a 10-year timetable for cutting chemical weapon stocks and production facilities, a Soviet official said. Page 2

Writ served on Revolu

Archbishop Robert Runcie was served with a High Court writ aimed at blocking plans to allow divorced men to become priests. Opponents of the move are seeking a ruling that a general synod vote on the issue was illegal because it did not receive a two-thirds majority.

Interpol alert

Air and sea ports are on alert for a 46-year-old Post Office worker who disappeared for a week's holiday with her husband at the same time as over £100,000 in cash vanished from Northampton's main Post Office vaults.

Bomb threats close line

A fresh series of IRA bomb threats forced the closure of the Belfast-Londonerry railway line. More than 80 buses were hired to ferry passengers.

Union stance softens

Transport workers at their Brighton union conference rejected motions calling for renationalisation of all concerns privatised by the Tories. Unions swing towards Labour mainstream. Page 4

Poll on irradiation

A survey of shoppers for a BBC programme found 41 per cent of women who had heard of food irradiation believed irradiated food would be less safe than untreated.

Czechs expel US envoy

A US diplomat who has close contacts with dissidents has been asked to leave Czechoslovakia, western envoys say.

Space hotline swamped

More than 1,000 people had responded by mid-morning yesterday to advertisements for volunteer astronauts to join an Anglo-Soviet space flight in 1991.

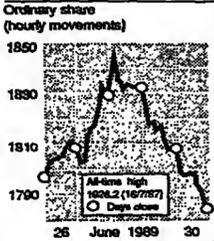
BUSINESS SUMMARY

James Capel to make 100 redundant

James Capel, a leading City stockbroker, announced cost-cutting measures including the loss of more than 100 jobs. The news came as Smith New Court, the City's only publicly quoted equity market-maker, announced a loss of £12.6m. Page 22

UK EQUITIES continued their fall from midweek highs as concerns over US recessionary pressures were joined by a renewed slide in the pound and further news of redundancies in the London brokerage

FT Index



community. Losses increased substantially as Wall Street opened on a dismal note, the FT Ordinary losing 35.1 to 1,784.5, a fall of 13.3 over the week. In New York, the Dow Jones Industrial Average was 20.68 down by lunchtime to 2,437.59. London Stock Exchange, Page 11; World Stock Markets, Page 12

MORTGAGE rate rises of about 1 percentage point were announced by three leading mortgage companies. National Home Loans, the Mortgage Corporation and the HomeShare Mortgage Corporation said they would raise rates to between 14.65 per cent and 14.95 per cent for their main mortgages. Building societies and banks say they do not plan to alter their rates at present. Problems in the housing market are analysed on Page 5

INFLATION rates in the EC continued to creep up last month to an annualised average 5.4 per cent. The UK rate of 8.3 per cent was the EC's third highest, behind Greece (13.1 per cent) and Portugal (13 per cent). The Netherlands was the lowest, with 1 per cent. Page 2. Non-EC Yugoslavia's annual inflation soared to a record 63.2 per cent in June.

NIGEL LAWSON, the Chancellor, sought to dampen expectations that the Government's budget surplus this year could be well above his £1.4bn forecast. Page 22

EMS: Sir Leon Brittan, EC commissioner for competition policy and former Conservative Cabinet minister, urged Mrs Thatcher not to delay Britain's entry into the Exchange Rate Mechanism of the European Monetary System. Page 3

RECEITT & COLMAN, UK multinational, plans a shake-up of its toiletry and household goods operations, which will lead to about 500 job losses in the UK. Page 22

ROYAL ORDINANCE is granting a reprieve to its Bishopston plant near Glasgow, where it had intended to cease production. Page 5

MEXICO made clear that it would reject a proposal from leading commercial banks offering debt relief on \$50bn (£34.8bn) of loans. Page 2

US INDUSTRY: New orders for manufactured goods fell by 2.5 per cent in May - the largest monthly drop for 10 months. Page 2

FIAT of Italy's shareholders approved a management plan to buy £1,000bn (£450m) of the company's shares at maximum prices. Page 10

GATEWAY: Wapotein Perle and Great Atlantic and Pacific Tea Company of the US raised their all-cash offer for the last time to 26 2/3 per share, valuing the UK food retailer at £2.15bn. Page 8

Banks win concessions to run student loans scheme

By David Thomas, Education Correspondent

THE CLEARING banks have won important concessions from the Government over the running of its student loans scheme. Banks have expressed concern at the risks involved.

Among the concessions, the Government has agreed that the banks will avoid the need to raise fresh capital by keeping the loans off their balance sheets.

They will also avoid competition among themselves by establishing a collective organisation to administer the scheme.

The banks are pressing ministers for an indemnity against a change of government or of government policy. They are also negotiating the fine print of a contract which will guarantee them a rate of return above standard interest rates in return for shouldering the scheme's risk.

The points have emerged from a confidential report prepared by Price Waterhouse, the

consultancy group, to help the banks in their negotiations with the Government. Both parties have refused to publish the report.

While the report shows that the banks look set to achieve most of their goals, it also bears out criticisms of the scheme given to Parliament last month by Mr Kenneth Baker, Education Secretary. It does not substantiate much higher costings quoted by the scheme's critics and repeated by the Labour Party.

Prompted by the report, the Government is considering the degree to which debt collection agencies as well as banks will chase graduates defaulting on loan repayments and what role employers of graduates will have in administering the scheme. Those decisions will affect both the scheme's final cost and its political acceptability.

The scheme, to be phased in from October next year, has

aroused widespread controversy since it was announced last November.

The banks were initially reluctant to participate, fearing that they would become a debt-collecting agency for the Government.

The Price Waterhouse report says the scheme "must provide an attractive rate of return for participating financial institutions."

That rate of return will have to be pitched at a level to compensate banks for their risk. "Essentially this is not a financial risk, but a risk that their reputation could be impaired by their involvement," it says.

The report proposes a "clause in the contract protecting participants" against "a change in government or change in attitude of government." It also advocates "careful marketing" to defeat "student opposition."

The report notes that participating banks would want to

keep the loans off their balance sheets and also that the banks had insisted on a collective approach. Initially, ministers had hoped that the banks would bid against each other for the business.

Both points have been met by Mr Baker's agreement that the loans should be administered by an arms' length company in which financial institutions will be able to choose to participate.

Price Waterhouse envisages the joint loans company having up to 269 staff, including 120 debt collecting staff, with a chief executive on an annual salary of up to £75,000.

It confirms Mr Baker's statement to Parliament that operating costs in 1995 could be up to £14m, equivalent to £12 per student account. That figure excludes any fees to debt collection agencies, depreciation. Continued on Page 22

Stirring up the language debate, Page 2

Knapp shuns BR invitation to talks

By Jimmy Burns and Fiona Thompson

HOPES OF an early settlement to Britain's rail dispute receded last night after the leader of the biggest union involved dismissed as a "gimmick" an invitation from British Rail to talks next Tuesday, on the eve of the next threatened 24-hour strike.

Mr Jimmy Knapp, leader of the National Union of Railwaymen, told his unions' conference in Newcastle: "It is a gimmick, another manoeuvre, not a serious bid to negotiate."

The union will make a formal response on Monday morning, but it is thought unlikely that it will disagree with Mr Knapp. The NUR has insisted that any negotiations deal simultaneously with the issue of pay and collective bargaining.

Mr Knapp said BR had made it clear in its "invitation" that it still intended to scrap national collective bargaining - seen as a threat to the union.

BR said the proposed discussions could "range over the principles of BR's proposals for changes and the framework for further negotiations."

In a letter, Mr Trevor Toolan, BR's managing director, personnel, told union leaders: "I believe we can devise an appropriate forum and would hope that any wrangling on this point would not prevent our getting together."

The board said it was following up its advertisement in Thursday's national newspapers calling on the NUR to agree to arbitration by the industry's Railway Staffs National Tribunal on the other disputed issue of pay. Senior BR managers said yesterday they were prepared to abide by any decision of the tribunal as a basis for a settlement.

The white collar rail union, the Transport Salaried Staffs Association, which yesterday was also critical of BR's latest move, has agreed to go before the tribunal.

The NUR, however, says that it is not prepared to go to the tribunal because it can only adjudicate on pay, not collective bargaining issues.

Rail union leaders are meeting over the weekend to try and co-ordinate their next moves in the dispute. Aslef, the train drivers union, is announcing the results of its own ballot calling for a ban on overtime next Wednesday.

Privatisation cannot solve the problems, Page 6

Howe faces protests in Hong Kong

By Collins MacDougall in London and John Elliott in Hong Kong

SIR Geoffrey Howe, the Foreign Secretary, leaves today for what is expected to be a stormy three-day visit to Hong Kong to try to reassure the colony's residents about their future when it returns to Chinese sovereignty after 1997.

His visit follows the rejection yesterday by the Commons foreign affairs committee of a right of abode in the UK for Hong Kong holders of British Dependent Territory passports.

Britain's determination not to grant full passports may have been strengthened by a growing realisation in Hong Kong that almost all the colony's 5.5m ethnic Chinese could qualify for British dependent territory citizenship, not the commonly quoted figure of 3.24m.

Instead of accepting this number, the Government is expected to decide on a selective passport scheme for a relatively small number of 500,000 people.

When Sir Geoffrey arrives tomorrow he will be greeted by mass demonstrations and marches involving more than an estimated 200,000 people.

Hong Kong residents have been shocked by the Tiananmen Square massacre early in June and by the subsequent purges. They are demanding full British passports as an insurance so they can leave

Hong Kong for a new life abroad after 1997.

The 3.24m figure is the number of ethnic Chinese who qualify by naturalisation in the British Dependent Territories' Citizens (BDTC) passports, which do not give right of abode in the UK. The Hong Kong Government is demanding full British passports for these people and suggests that the UK should persuade Commonwealth and other foreign

countries to give a right of abode to another 2.2m.

However, most, if not all, of the 2.2m could become naturalised. After a seven-year qualification period this would give them BDTC passports which, if Hong Kong won its campaign, would qualify them for full British passports and right of abode.

The Commons committee report sets out proposals for the territory's future which

VIETNAM MOVE ON REFUGEES

VIETNAM is believed to have agreed informally that about 33,000 boat people in Hong Kong - who are unlikely to qualify as political refugees - should be repatriated without facing punishment.

In return Britain is expected to step up its development aid to Vietnam, writes John Elliott in Hong Kong.

This broad-circuit in the boat people crisis follows talks this week involving Hong Kong and Vietnamese officials in Hanoi and a meeting in London between Sir Geoffrey Howe, Foreign Secretary, and Mr Nguyen Co Thach, Vietnamese Foreign Minister.

Sir Geoffrey is expected to return to the UK this week during his three-day visit to Hong Kong starting tomorrow.

VIETNAM accepted a few months ago that volunteers should be repatriated but only 142 have so far returned from Hong Kong. Vietnam has been firmly raising mandatory repatriation, quoting humanitarian grounds.

It now appears, however, to have agreed that ideally all those who do not qualify as refugees should return - providing the words mandatory and compulsory are not used.

At present there are more than 47,000 boat people in Hong Kong, of whom about 14,000 qualify as political refugees. They are awaiting repatriation to the west.

Compulsory repatriation of 33,000 will not qualify as refugees.

Pöhl doubts need for EC bank

By David Marsh and Andrew Fisher in Frankfurt

MR KARL OTTO PÖHL, president of the West German Bundesbank, has cast doubt on whether the Bonn parliament would agree to transfer sovereignty over monetary policy abroad - a necessary step to establish a European central bank.

His remarks, in an interview with the Financial Times, showed clearly the differences among the West German authorities on monetary union.

Mr Helmut Kohl, the Chancellor, this week spoke in favour of a European central bank, modelled on the Bundesbank's independence and commitment to price stability.

Mr Pöhl believes the West German Government is underplaying the difficulties of establishing such an institution. Echoing the arguments of Mrs Margaret Thatcher, the British Prime Minister, the Bundesbank chief claimed the Government has not fully spelled out the implications of loss of monetary sovereignty.

Mr Pöhl said creation of a joint central bank was "not necessary" to move towards European monetary union. On limiting the monetary policy powers of the autonomous Bundesbank - as part of a



Mr Pöhl: central bank not a condition for union

move to create a European bank - he said: "I have considerable doubts whether there would really be a majority for this in Germany."

The Bundesbank president is trying to counter the impetus for the European central bank proposals that has been built

up in West Germany above all by Mr Hans Dietrich Genscher, the Foreign Minister.

Mr Pöhl said it would be possible to achieve monetary union without either a European central bank or a common currency. It would be necessary for member states to liberalise capital controls and fix their exchange rates permanently. He said it would take "years" for the economic convergence of the present low-inflation EC countries to spread throughout the Community.

He pointed to the difficulty of deciding where a central bank should be sited - a question of "absolute importance" - as an indication of the political problems involved in setting up such an institution.

Mr Pöhl said a joint central bank might eventually prove "useful" in a global process of European integration.

He said he did not fear a resurgence of devaluation pressure on the D-Mark. "On the contrary I would welcome it." The devaluation of the D-Mark over the past 18 months against the dollar and European currencies was not desirable, he said.

Man in the news, Page 7

MARKETS

STERLING
New York lunchtime: \$1.5485
London: \$1.5490 (1.5525)
DM3.0275 (3.0350)
FF110.2775 (10.9125)
SF2.8000 (2.8050)
Y235.0 (232.75)
£ index 90.2 (90.5)
GOLD
New York Comex Aug \$376.3 (373.6)
London: \$371.25 (376)
N SEA OIL (Argus)
Brent 15-day Jul \$18.15 (18m)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime: DM1.9545
FF6.8350
SF1.8780
Y143.95
London: DM1.9545 (1.9555)
FF6.8350 (6.8425)
SF1.8785 (1.8780)
Y144.00 (143.40)
£ index 71.9 (71.8)
Tokyo close: Y143.95

US LIFECENTRE
RATES
3-mo Treasury Bill: yield: 8.22%
Long Bond (70): yield: 8.03%

STOCK INDICES
FT-SE 100: 2,151.0 (-31.0)
FT Ordinary: 1,784.5 (-25.1)
FT-A All Share: 1,101.88 (-1.2%)
FT-A long gilt yield: 8.72 (8.69)
Index high coupon: 8.72 (8.69)
New York lunchtime: DJ Ind. Av. 2,439.89 (-24.28)
Tokyo: Nikkei 92,048.89 (-7.82)

LONDON MONEY
3-month interbank: closing 14.3% (14.3)

CONTENTS

British Rail	6	Appointments	15	London Options	11
Issues privatisation cannot solve	6	Base Rates	9	Money Markets	11
Cuba	6	Commodity Prices	10	Overseas News	2
Castro reshuffles his cards	6	Commodities Review	15	Recent Issues	8
Editorial comment	6	Company UK	8	Share Information	10-21
Mrs Thatcher and the Emu	6	Economic Diary	9	Stock Markets	9
Man in the News	7	European Options	9	London	18
Karl Otto Pöhl, president of the Bundesbank	7	FT Activities	9	Wall Street	12-13
Nightclub investment	7	FT World Activities	13	Eurostoxx	12-13
Making money in a pink tutu	7	Foreign Exchange	11	SE Dealings	14
		Gold Markets	10	UK News	9
		Int. Companies	10	General	3-6
		Leader Page	8	Employment	6
		UK Trade	7	UK Trade	10-15
		Lev	22	Westmor	22

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Weekend FT



HONG KONG BOAT PEOPLE

John Elliott on the plight of Vietnamese who left their country for Hong Kong

Page 1

Finance

Philip Coggan looks at the leaders and laggards in UK equities

Page 11

Property

A 12-page colour supplement looking at homes in the UK, France, Spain, Gibraltar and Portugal. Plus two pages in Section II

Pages XII-XIII and Section III

How To Spend It

Lucia van der Post tells you how to avoid buying a completely new outfit

Page XVII

Diversions

Simon Hale has a close encounter with an eye-eye Madagascan's rainforest. Plus: Green Motoring and Gardening; Wine; Chess and Bridge

Page XV-XVI

Collecting

Antony Thomcroft looks at the Cotswold antique trade

Page X-XI

OVERSEAS NEWS

Peking strips Zhao of last official post

CHINA'S leadership, still clearing its ranks after crushing pro-democracy demonstrations, stripped disgraced former Communist Party chief Zhao Ziyang from his last remaining post yesterday.

EC inflation rising

Inflation rates across the European Community continued to creep up last month, when average prices stood at 5.4 per cent above those a year ago.

India firm on Tamils

India yesterday set itself on a collision course with President P. V. Narayana Murthy over calling off the offensive against the rebel LTTE (Liberation of Tamil Tigers) in Sri Lanka.

Gorbachev on TV

Mr Mikhail Gorbachev, the Soviet leader, will address the nation on television today, L'zvestia, the Soviet government newspaper said yesterday.

No more N-plants

The head of Soyuzgazexport, Mr Vladimir Mihalev, said yesterday in Helsinki that the Soviet Union would not build any more nuclear plants on its territory in Europe.

Eritrean peace bid

Eritrean rebels have offered to talk to the Ethiopian government without preconditions, and in the presence of independent observers, about ending their 28-year-old secessionist war.

Spain petrol price up

The Spanish government yesterday ordered a sharp rise in the price of petrol. Peter Bruce writes from Madrid.

MILITARY COUP IN KHARTOUM Frustrated army moves to oust dithering Sudanese government

By Julian Ozanne in Nairobi

THE coup which yesterday swept Prime Minister Sadiq el-Mahdi from his tenuous grasp of political power in Africa's largest state comes after months of tension between Sudan's ill-equipped and frustrated army and the country's dithering civilian politicians.

Wracked by a six-year civil war in the south which the Prime Minister appeared reluctant to solve, in a state of political instability and economic decline and increasingly isolated by Western and moderate Arab states, the Sudanese government has long seemed certain to fall.

Only 12 days ago, 14 army officers and 45 civilians were arrested for plotting a coup against the government. On the day they were freed, thousands of demonstrators gathered in Khartoum chanting "Bread, bread or the army" and "Sugar, sugar or the military".

In many ways yesterday's coup is four months overdue. In February Sudan's Commander in Chief, General Fahdi Ahmed Ali, and 150 senior officers, issued an ultimatum to the Prime Minister.

It gave him one week to reform his government, work to end the country's civil war and make fundamental changes in foreign policy.

Earlier last month, after peace talks in Addis Ababa, a date was set for the long-postponed constitutional conference, although both sides remained divided over abolition of a defence agreement with Libya and the thorny issue of federalism.

But throughout the peace talks there has always been a feeling that at the critical point

the army would fail. As the great-grandson of the legendary Mahdi and the spiritual imam to the Islamic Ansar sect he was always ambivalent towards scrapping sharia law.

Given the army's increasingly desperate position and the growing positive signs from the peace talks, senior army officers may have felt the opportunity was too good to miss.

Similarly with foreign policy, the army felt the Prime Minister was increasingly alienating Sudan from the West and moderate Arab governments by drifting into an axis with Iran and Libya.

As tensions between Sudan and Egypt deepened while El-Mahdi aligned himself with fundamentalist powers, both internally and externally, pressure built up for change from the army and DUP, both traditionally pro-Egyptian.

In February there were extensive rumours of Cairo's influence in the showdown

between the army and the premier, followed in early March by a public attack on El-Mahdi by Egyptian President Hosni Mubarak.

As the tensions between the government and the army started reappearing this month, Egypt allowed Mr Nimeiri, who has lived in Egypt since he was ousted from power in 1985, to start mediating in Sudanese politics.

Mr Nimeiri made telephone contact with several army officers urging them to take power. And although he denied involvement in the recent coup



Sadiq el-Mahdi; reluctant to deal with the civil war

attempt, Mr Nimeiri left Egypt a week ago for an unnamed African country, where he said he intended to set up a base to work for the overthrow of the government.

It seems unlikely, however, that Mr Nimeiri is connected with yesterday's coup. Many army officers and the Egyptian government would see his return to power as a backward step in moves to end the war.

Each reflects a different side of Japan. Taken together, the impact of their varied achievements is a sign that women might be beginning to master male Japan.

Ms Mitsuko Nakamichi, the geisha, could hardly be ignored once she followed sale of her story to a magazine with a TV interview. She did it to get revenge on the man who had loved her, left her and then happened to become Prime Minister.

Businessmen say it would never have happened 10 years ago. A woman would never have talked, no paper would have printed her story.

Ms Kinuko Otsubo, the housewife who won a by-election for the upper house for the Japan Socialist Party, might be Ms Nakanishi's alter-ego.

There will, therefore, be close interest in Monday's report from the purchasing managers and unemployment figures due on Friday.

Nevertheless, there has been renewed talk about a reduction in US interest rates, even after the latest round of increases in European rates, initiated by the Bundesbank on Thursday.

The Federal Reserve's approach has been cautious so far, balancing a desire to avoid a recession with a reduction of inflationary pressures.

There have also been divisions within the Fed's policymaking open markets committee, which holds its regular meeting to review its interest rate stance next Wednesday and Thursday.

Chemical weapons cuts agreed in Geneva Slump in US orders fuels recession fears

By William DuBois in Geneva

THE SOVIET Union and the US have agreed the details of a 10-year schedule for the reduction of chemical weapon stocks and production facilities and have resolved differences over how surprise inspections, to prevent cheating, can be effected.

The three weeks of bilateral talks in Geneva had also largely settled problems which had been preventing the preliminary exchange of data on stocks and facilities, the official said.

US-Soviet understanding on these key issues would give a big boost to chances that an international convention banning chemical weapons can be agreed in the 40-nation United

Nations conference on disarmament in Geneva. However, Mr Max Friedersdorf, head of the US team, said Washington would first have to look over the work done. The talks had been "one of the more productive sessions we have had", although the Soviet disclosures seemed to be "premature and exaggerated".

The Soviet official, who had participated in the bilateral talks with the Americans but did not wish to be named, said the latest round of talks had been "the most productive and successful" since the bilateral talks started in 1986.

The two countries would now submit to the UN conference documents on the order of destruction of stocks and facilities

and on challenge inspections. He hopes these would be accepted by the other nations and incorporated in the draft convention which has been under negotiation for the past 20 years.

Completion of the convention gained urgency after the use of chemical weapons in the Lebanon war and after 149 nations called for the elimination of such arms at a Paris conference in January. However, several obstacles still had to be cleared, the official said.

The most important was for all countries to agree that challenge inspections could be carried out any time, anywhere.

The US and Soviet Union have declared support in principle for this idea, but opposi-

tion has come from other countries, notably China, Brazil and India. Differences remain over the regular programme for verifying compliance with a chemical weapons ban.

The draft convention provides for the establishment of an international inspectorate with teams of inspectors but detailed schedules of the types of installations and chemical agents they should have access to are not yet agreed. A key issue is how far civilian chemical plants must be opened to inspection.

Given the technical complexity of the inspections, it would be unrealistic to expect a chemical weapons convention to be completed this year, the official said.

US INDUSTRY faces declining orders for a wide range of its products, fuelling market fears that the economic slowdown could be greater than expected.

Prices on Wall Street had started to decline sharply on Wednesday after the index of leading indicators for 18 months. This led to concern that the economy might be heading for a recession rather than a "soft landing" of slow growth and moderating inflation.

The fall in prices continued yesterday, after the announcement of a 2.5 per cent drop in new orders for manufactured goods in May - the largest monthly drop for 10 months.

The fall, offsetting most of April's rise, takes the level of new orders in cash terms to below the average so far this year.

The main influence was a decline in new orders for durable goods - now put at 4.5 per cent in May - compared with the previous estimate a week ago of a 4.2 per cent fall.

Shipments of manufactured goods fell slightly in May and manufacturers' stocks rose again.

Recent data on future orders, consumer spending and current car sales have pointed to a more marked slowdown than previously indicated, though economists are divided about whether this means that a recession is likely later this year.

Blacks cool on de Klerk plan

By Anthony Robinson in Johannesburg and Nicholas Woodworth in Lusaka

SOUTH Africa's anti-apartheid organisations yesterday gave a predictably negative reaction to the ruling National Party's five-year "action plan", which may bring blacks into the government but leaves power in white hands.

The African National Congress president, Mr Oliver Tambo, rejected the plan, and told a group of white South African anti-apartheid activists in the Zambian capital of Lusaka for talks with the ANC, that it denied "genuine democratic engagement", and would lead to a racist parliament.

In Washington, leaders of the effectively banned United Democratic Front (UDF) told US officials they were sceptical

of Mr de Klerk's plan, which he is due to explain to the US government during a visit to Washington in late July.

In South Africa itself, editorials in the Sowetan and other newspapers mainly read by blacks also warned that most blacks would reject the plan.

Zulu chief Mangosuthu Buthe, leader of the Inkatha movement, also stressed that Mr Nelson Mandela, the jailed ANC leader, and other black leaders would have to be released before negotiations began. But he said "the deal is now at least a small ray of hope that the National Party can move towards one or other form of democracy which the western industrial world will

Japan's foreign investment almost doubles

By Robert Thomson in Tokyo

JAPAN'S TRADE surplus eased in May, but the country's investments abroad almost doubled.

The trade surplus for the month was \$5,056m (£3.2bn), down from \$6,559m for the same month last year and from \$7,649m in April. Exports rose 1.2 per cent from a year earlier to \$21.32bn, while imports rose 2.2 per cent.

Analysts pointed to the significant growth in Japan's direct investment abroad as the most notable change in long-term capital outflow, with the ministry's figures recording an increase from \$2,879m in April to \$4,649m in May, well above the \$2,536m of a year earlier.

At the same time, Japanese purchases of foreign securities fell from a high of \$13.5bn in April to \$8bn in May, with bond purchases falling from \$11.3bn to \$7.1bn on softer trading in US government bonds.

Overall, the current account surplus was \$3,359m, down from \$6.3bn in the previous month.

Mexico will reject banks' debt relief offer on loans

By Stephen Fidler, Euromarkets Correspondent

MEXICO has made it clear that it will reject a proposal from leading commercial banks offering debt relief on \$45bn (\$24.8bn) of medium and long-term bank loans.

Bank negotiators have informally made this known to the banks, made over a week ago by 15 main creditor banks led by Citibank.

By late yesterday afternoon there had been no formal meeting between the two sides and it was not clear whether Mexico intended to make a counter-offer.

The US officials have apparently been urging the Mexicans to go back into talks with the banks. A successful conclusion of the debt negotiations - which are expected to provide the blueprint for the new US debt initiative announced in

March by the treasury secretary, Mr Nicholas Brady - in time for the Paris summit around July 14, now seems highly unlikely.

Both types of bonds would be for 30 years and be backed by up to \$7bn in special resources, including funds from the International Monetary Fund and the World Bank.

Jews march in troubled West Bank

By Hugh Carnegie in Jerusalem

HUNDREDS OF Jewish settlers, escorted by soldiers, staged a march through the troubled West Bank and Arab parts of Jerusalem yesterday, to assert what they proclaim is their right to live and move freely in the territories occupied by Israel in 1967.

The marchers, who total 70,000, have become increasingly militant in response to the Palestinian uprising. They are anxious to block the coalition government's peace initiative, which they fear will lead to an Israeli withdrawal from lands they regard as an integral part of the biblical Eretz Israel, the Land of Israel.

estimates and settlers in which two Arab boys have been shot dead and a Jew fatally stabbed in recent weeks, but no violence was reported yesterday.

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policy cornerstone for the right-wing Likud party and its leader Mr Yitzhak Shamir, the Prime Minister. But it has turned into an awkward issue for Mr Shamir as he seeks to head off internal Likud opposition to the peace plan at a special party conference next week.

His opponents want a formal commitment to continue settlements, something hitherto opposed not just by the Palestinians, whose support for the peace plan Israel is seeking, but also by the US, the main broker between the two sides.

Howe flies into a tropical storm over passports

John Elliott explains the depth of anger in Hong Kong at Britain's reluctance to provide a safe haven

WHEN SIR Geoffrey Howe, the UK Foreign Secretary, arrives in Hong Kong tomorrow, he will enter a political storm and massive tide of anti-British feeling over whether up to 5.5m Hong Kong Chinese should be given full UK passports.

A sustained and uncharacteristic attack on the UK Government is being spearheaded by leaders such as Dame Lydia Dunn and Mr Allen Lee, senior members of the Executive and Legislative Councils, who for years have helped prop up the UK's colonial regime.

Leaders of professional groups and business organisations and top executives - Chinese and UK-born - are also planning a multi-million dollar, long-term propaganda campaign. They believe that a mass issue of passports would do more than anything else to guarantee the colony's prosperity in the run-up to June 30, 1997 when Hong Kong reverts to Chinese sovereignty because it would provide insurance of an alternative

ing yet to calm the torrent of feeling. He has come out firmly in favour of issuing passports and presumably wants Sir Geoffrey to feel the full brunt of the local antagonism developing towards the UK government.

The people of Hong Kong know that Sir Geoffrey will not make any special promises on his first visit. They also know that the UK government is resolutely set against giving UK passports and right of abode to all 5.5m people who qualify for British Dependent Territories Citizens (BDTC) passports, let alone the rest of the 6.5m Hong Kong Chinese population.

This is fueling the present tide of resentment because, as Hong Kong sees it, granting passports is the one thing that the UK can do unilaterally to boost filtering confidence after the events in China. Other morale-boosters, such as strengthening the Basic Law which will govern Hong Kong after 1997, or easing the problem of Vietnamese boatpeople, can only be achieved with the co-operation of other governments.

Dame Lydia yesterday supported local fears that Sir Geoffrey will trun-

pet a possible deal with Vietnam on the return of boatpeople and pledges about initiatives on the Basic Law and human rights in order to deflect attention from the passport issue.

Mr Simon Murray, managing director of Hutchison Wharfedale, one of the colony's leading "hong" business groups, has been trying - with the help of Satchi and Satchi public affairs companies - to pull together various Hong Kong interest groups. They include an organisation called Road, which is backed by leading professionals such as Mr Francis Yuen, chief executive of the Stock Exchange. Road is one of several organising marches, which police expect to involve over 200,000 people, to greet Sir Geoffrey tomorrow.

Other groups which Satchi is trying to weld into a generously financed propaganda campaign include the local General Chamber of Commerce, the Executive and Legislative Councils, the London-based Hong Kong Association, the Anglo-Hong

Kong Trust, with which Mr Murray is involved, and top companies.

Mr Murray says the UK granted passports, perhaps 40 per cent of the population, worth less than £30,000 each, would not want to go. The UK could also exclude Triad gangsters and give preference to English speakers and those who would not be a burden on the UK social security system. The passports could even be postdated to 1997 to prevent an early exodus.

Mr Murray and his colleagues know that for now they have lost the argument for passports for all. Public attention in the UK is shifting away from China and Hong Kong. It will have drifted even further after the summer holidays and parliamentary recess.

What they intend to do is to build up a propaganda campaign in the UK so that when the next China crisis strikes, maybe on the eventual death of Mr Deng Xiaoping, public opinion will be primed to swing behind a call for passports for all 5.5m, not just the few hundred thousand who might be lucky in the aftermath of Tiananmen Square.

Japanese women begin to matter

By Stefan Wagstyl in Tokyo

LIVING in a country dominated by men, six Japanese women have had a remarkable week.

There was the television appearance of the geisha who has brought so much trouble to Mr Souseko Uno, the Prime Minister. An unknown housewife defeated the Liberal Democratic Party in a by-election. Then there was the appointment of Japan's third-ever female ambassador, an exhibition by Hansie Mori, Japan's best-known fashion designer, the death of Japan's most popular postwar singer, and the launch of an English translation of the Japanese best-selling poet, a woman.

Each reflects a different side of Japan. Taken together, the impact of their varied achievements is a sign that women might be beginning to master male Japan.

Ms Mitsuko Nakamichi, the geisha, could hardly be ignored once she followed sale of her story to a magazine with a TV interview. She did it to get revenge on the man who had loved her, left her and then happened to become Prime Minister.

Businessmen say it would never have happened 10 years ago. A woman would never have talked, no paper would have printed her story.

Ms Kinuko Otsubo, the housewife who won a by-election for the upper house for the Japan Socialist Party, might be Ms Nakanishi's alter-ego.

There will, therefore, be close interest in Monday's report from the purchasing managers and unemployment figures due on Friday.

Nevertheless, there has been renewed talk about a reduction in US interest rates, even after the latest round of increases in European rates, initiated by the Bundesbank on Thursday.

The Federal Reserve's approach has been cautious so far, balancing a desire to avoid a recession with a reduction of inflationary pressures.

There have also been divisions within the Fed's policymaking open markets committee, which holds its regular meeting to review its interest rate stance next Wednesday and Thursday.

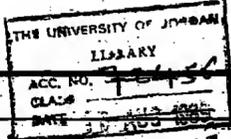
Both types of bonds would be for 30 years and be backed by up to \$7bn in special resources, including funds from the International Monetary Fund and the World Bank.

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Sir Geoffrey Howe: flies into Hong Kong tomorrow

السنة من الاصل



Royal Ordnance reprieves Scottish propellants plant

By James Buxton, Scottish Correspondent

ROYAL ORDNANCE is granting a reprieve to its plant at Bishopclee near Glasgow, where it had intended to cease production. It now plans to make a "substantial" investment in the facility, in return for union agreement on changed working practices and cuts in the workforce.

Royal Ordnance, the former state-owned concern now part of British Aerospace, said last October that it would end production of propellants at Bishopclee by 1991, which would have meant cutting the labour force from 1,100 to about 50. The announcement produced outcry among politicians in Scotland, strong opposition from the unions and serious questioning in defence circles about the strategic wisdom of Royal Ordnance's

move. The Ministry of Defence was concerned about future supplies of nitro-glycerine, of which Bishopclee is Britain's only manufacturing source.

Royal Ordnance said it would now be continuing manufacture at Bishopclee "after very careful consideration." A crucial factor was the workforce's full commitment to "radical changes." Management and senior trade union officials had agreed on a outline plan for changed working practices and this agreement had received overwhelming support at a mass meeting of the workforce.

Assuming the agreement is implemented in detail, Royal Ordnance will make the "necessary substantial level of capital investment needed to make Bishopclee a world class propellant manufacturer" which could compete on an international basis.

It said the Scottish Office was helping the project by making funds available under its industrial aid programme.

Royal Ordnance refused to say how many jobs had been saved at Bishopclee but Mr Ian Lang, Scottish Industry Minister, welcoming the announcement, said 500 would be saved. Under his plan it could be 700.

Mr Jack Dromey, of the Transport and General Workers Union, who led the union fight for the plant, said: "You can count on the fingers of one hand the number of times in the last 10 years a multinational company has announced the closure of a plant and then been forced to change its mind."

Performance plan for housing

By Hazel Duffy

LOCAL authorities will be required to publish performance indicators on the management of their housing stock as part of the Government's plans to get council tenants more involved in the running of their homes.

Mr David Trippier, junior housing minister, told the Institute of Housing conference yesterday that the Government will propose an amendment to the Local Government and Housing Bill to enable the new system to be introduced.

He promised to discuss the operation of the new system with the institute, and

local authority associations. Mr Trippier also signalled that the Government would like some local authorities to take part in an experimental scheme which would devolve a large part, perhaps all, management to tenant-led organisations.

The Government's proposals followed publication of an independent report earlier this year which showed that tenant satisfaction with their local authority landlords was higher than had been expected. The study also recommended a system of incentives to help tenants judge the way in which

authorities managed the housing stock.

Within this environment, Mr Trippier said that councils had nothing to fear and everything to gain from the new provision.

Although tenants were not unhappy with their landlords, they did not want more involvement, according to a recent report from the Government-appointed committee into housing co-operatives and the scope for tenant involvement. It called for more support and encouragement for tenant groups.

Slump in the housing market, Page 5

Kent cider plant closure costs 100 jobs

By Lisa Wood

SHOWERING'S, the Allied-Lyons subsidiary and maker of Gaymer's Old English Cider, is to close its East Malling plant in Kent early next year with the loss of more than 100 jobs.

Manufacture of Showering's brands will be concentrated at the company's Somerset headquarters at Shepton Mallet from 1990 with Kent cider con-

tinuing to be produced at Atleborough, Norfolk.

The East Malling plant was formerly the headquarters of Goldwell, its sister company, which in March merged with Showering's.

Mr David Gwyther, Showering's managing director, told employees: "The cost efficiencies of producing at one site were inescapable." Up to 65

jobs would be created as a result of concentrating production at Shepton Mallet.

Production of Goldwell brands will be transferred over the next few months. Goldwell Showering will be made at Shepton Mallet from October, while production of parties will be absorbed by Shepton in a phased programme through to early next year.

Two held in W German blackmail inquiry

By Richard Dornin and Haig Simonian

POLICE in London were last night questioning two men arrested during an international investigation into a blackmail attempt on one of West Germany's largest food chains, which has been hit by a series of five bomb attacks.

The incendiary devices were set off on Thursday morning in branches of the Rewe-Liebrand supermarket chain, West Germany's second biggest food retailer.

Police were alerted when, shortly afterwards, a caller to the company headquarters in Bad Homburg near Frankfurt demanded payments of £1,500,000 (£7,874) and \$200,000 (\$1,030) through the Deutschebank in London, warning that otherwise more attacks would follow.

Mr Jochem Schroers, Frankfurt's chief public prosecutor, said the money was to be handed over in a London rendezvous at 1am yesterday.

Two men were arrested at 11.30pm yesterday in a joint operation between West German and City of London police, assisted by squads from the Metropolitan Police. One was arrested in Eitham, south London, and the other in Banstead, Surrey. Police said both were British but one of the men was fluent in German.

Last night they were being questioned at City of London police headquarters. Mr Schroers said the matter was being handed over to British police and would be heard in a German judicial system. Any charges arising from the incident would be heard in a British court.

He said only slight damage had occurred to the six stores in the attacks, including buildings in Munich, Nuremberg and West Germany, and Kirchheim in central West Germany.

City of London police said the two men were arrested by unarmoured officers "as a result of inquiries." There was no violence during the arrest and no firearms were recovered.

A police statement said no money had been handed over and inquiries were continuing.

Stirring up the language debate

Financial Times writers on how countries teach their native tongues

A FEW choice remarks by the Prince of Wales to a group of businessmen this week about standards of English teaching in British schools were all that was required to stir up a debate that is seldom far from the surface.

"English is taught so badly," the prince said, and he added that he was reduced to correcting his own staff's letters.

Furthermore, he dismissed as "nonsense" the official report published last week on how English would be taught under the new national curriculum. This has been widely criticised for refusing to endorse a return to teaching traditional grammar, for encouraging teachers to foster children's native dialects and for refusing to prescribe simple reading and writing tests.

Prince Charles's call for English to be taught through drilling grammar is in a chord with the public. Yet other countries' experience is mixed. Teaching children in a highly formal way - with a strong emphasis on grammar - does not guarantee general satisfaction with school, let alone a grasp of their native language.

Among fellow English speakers on the other side of the Atlantic there is no equivalent to the Queen's English. The nearest approximation is middle-class American - the cool, rather anodyne American of nationally renowned TV anchorman.

One exception is Mr Dan Rather, the CBS News anchorman, who comes from Texas. However, he was heard to exclaim on a recent presidential trip that it was about time people on television started talking English.

This remark was echoing concern about the teaching of English in the US. The issue has been raised in a report in 1985, when Mr William J Bennett, the then US Education Secretary, turned it into a national debate.

Mr Bennett said the goal of teaching English to immigrants was being subverted and he attacked the notion that teachers fluent in their students' native languages were the best equipped to help them learn English.

There is also an enormous



Prince Charles: critical of way English is taught

illiteracy problem in the US. Some estimates say that 25m Americans - roughly one in 12 - are considered functionally illiterate.

The US faces peculiar difficulties in tackling these problems, because the individual states are responsible for education. This responsibility is in turn devolved to school districts.

The position is not quite as bad as in the 1980s, when one in 10 was considered functionally illiterate. The US faces peculiar difficulties in tackling these problems, because the individual states are responsible for education. This responsibility is in turn devolved to school districts.

about diminishing skills in the more formal versions of the language and about rising absenteeism. After 12 years of schooling, nine of them compulsory, and many years of extra cramming classes, Japanese secondary school graduates are literate but are they expected to take a full role in society?

The system's inflexibility is reflected in the learning of English rather than Japanese. By the time they have finished their secondary schooling, Japanese have studied English for at least six years - and while the students' reading ability is good, the spoken language is often poor.

Under Education Ministry rules, guidelines, there will be more emphasis on conversation and less on rote learning.

France too has a strongly centralised system. Central directions are given on what a child must be able to do in each subject matter at each level, although the methods of achieving results are left largely to local choice.

The French that is taught is essentially the standardised national French, excluding local dialects. Grammar is a dominant element right through the school system.

Nevertheless, there is considerable concern about the level of command of French.

A recent study found that 50 per cent of 11-year-olds leaving primary school have poor reading, and 20 per cent cannot read at all. The latest national statistics show that 9 per cent of the population (3.5m) have serious difficulties in either reading, speaking, writing or understanding French, while 400,000 are functionally illiterate in all four aspects.

West Germany shares some features of all the other systems. While some professors mean about young people not speaking German properly, concern in industry and commerce is much less marked.

As a federated country, standards of teaching and achievement are laid down at state rather than national level. Each state sets "guidelines" for levels of achievement in German, with children who do not perform adequately being held back to re-take a school year.

Airline opposes Sabena link-up

By Rachel Johnson

BRITISH MIDLAND Airways, an independent airline, is hoping to thwart the proposed financial link between British Airways, KLM of the Netherlands and Sabena of Belgium, if merged yesterday.

Mr Michael Bishop, chairman of British Midland, is planning to complain formally to the European Commission as soon as the three operators agree on legal and financial details of the deal.

Details of the operating and marketing pact are vague, although the financial element involves BA and KLM taking 20 per cent each in a new Bel-

gian airline company.

A subsidiary, Sabena World Airways, would be set up to run operations. KLM said yesterday that the fine details would be ready by the middle of July.

These will have to be approved by the European Commission, which will want evidence that the pact is not anti-competitive for other Community airlines.

Mr Bishop said yesterday that the announcement on June 20 of the financial link was a unilateral statement of intent on the part of Sabena for which the other two air-

lines were unprepared.

He has already held preliminary meetings with Commission officials. Sir Leon Brittan, the EC commissioner for competition, confirmed at the EC would "intensely investigate" the proposed transaction. Sir Leon would have to be convinced that the deal would not concentrate too much power in the three airlines' hands, leading to a reduction in choice for the consumer, Mr Bishop said.

KLM said the EC investigation would "help to clarify the situation and what is feasible and not feasible."

Brittan calls for early entry into ERM

SIR LEON BRITTAN, the EC commissioner for competition policy and former Conservative Cabinet minister, yesterday urged Mrs Thatcher not to delay Britain's entry into the Exchange Rate Mechanism of the European Monetary System.

In effect, he challenged Mrs Thatcher over the summit at Madrid, saying that Britain can only consider joining the mechanism when the present high rate of inflation is under control.

He also appeared sceptical about her objection that it was not feasible to join while other Community countries maintain exchange controls in contrast to the UK's freedom from currency restrictions.

He was speaking to the annual conference of the Con-

servative-controlled Association of District Councils, whose members jeered Mr Nicholas Ridley, Environment Secretary, when he rejected calls for extra funds to aid collection of the community charge, to be introduced in England and Wales next year.

Mr Brittan said that if inflation came down within a matter of months, as forecast by the Government, Britain would be in a position to join the ERM. However, it should not delay beyond next summer when further action was to be taken to abolish exchange controls within the Community.

His remarks will reinforce the arguments of those within the Cabinet - said to include Mr Nigel Lawson, the Chancellor, and Sir Geoffrey Howe, the Foreign Secretary - and Con-

servative MPs who favour early entry into the ERM.

Sir Leon said: "Entry of sterling into the Exchange Rate Mechanism of the EMS should greatly increase the amount of influence Britain could expect to bring to bear."

He pointed out that the Government had to take a positive stance in the inter-governmental conference likely to be convened next year on further steps towards monetary union.

At the same conference, there was an angry response when Mr Ridley rejected calls from the association for a further £200m towards local authority costs of establishing the machinery to collect the community charge or poll tax.

There were jeers and groans when he said that local councils could make savings

through greater efficiency.

The Government has made a capital allocation of £135m and an extra revenue provision of £10m this year. The extra revenue will be used to offset the extra costs for the poll tax. However, the ADC says that councils will need a further £212m on capital costs and another £231m on revenue costs for items such as staffing.

Mr Ridley told the conference: "I don't offer any help today. The Government has made available what it believes to be the correct sums for the community charge."

Mr Eric McLean, a Conservative councillor from Aylesbury Vale, said Conservatives have supported the community charge were finding the extra cost a strong disincentive and the Government could help by providing more cash.

Thatcherite grip pains councillors

John Hunt on why local authorities feel their power is being eroded

WHEN Lord Rippon, the former Tory Cabinet minister, opened the annual conference of the Association of District Councils in Torquay this week, he expressed the view that he was not entitled to make an opening speech in his role as president.

Otherwise, he added caustically, he would have been able to say what he thought about the Government's policies towards local government.

His remarks fairly sum up the beleaguered feeling of the 1,000 councillors from the 333 non-metropolitan district councils in England and Wales as the Government steadily tightens its grip on their activities.

They face the introduction of the controversial community charge - the poll tax - which will replace rates in England and Wales next year and which has already been introduced in Scotland. They complain that although the Government has given some financial assistance a further £200m is needed to pay for the huge task of introducing and collecting the tax.

At the conference there was much hand-wringing, particularly from those representing councils in the south-east over how they would pay for running the tax without cutting back on other services.

In addition, the councils are struggling with the government-imposed system of compulsory competitive tendering. This means that the councils' direct labour organisations must prove they are lean and efficient if they are to survive competition from private sector bidders for their work.

Simultaneously, the local authorities' role as providers of



Lord Rippon: made opinion known without a speech

mean pressure for a higher level of poll tax to make up the deficit.

The ADC is still pressing the Government for a more equitable formula and Mr Roy Thomson, association chairman, who is a Conservative councillor at Bournemouth, says that unless it is altered it will severely jeopardise the Government's objectives of achieving better accountability through the new system.

The association is prepared to campaign vigorously on these matters but Mr Thomson made it clear that the district councils must work with the grain of the Government's policies rather than against them. He sees the future role of local authorities as enablers of services to the community rather than providers of them.

They would, for instance, enter into partnerships with private developers to provide council housing, which it is now fashionable to refer to as social housing or rented accommodation. The council would identify the type of accommodation needed in particular areas and parcel together the necessary land.

The private sector would in some cases construct the housing and the council might retain the land. In the field of economic development, councils would increasingly act as "pump primers," providing the funds and the initiatives to attract business and industry in order to provide jobs. In other words, they will primarily be acting as catalysts.

Mr Thomson argued that no government, whatever ideological complexion, with its responsibility for controlling

inflation and the money supply, would be prepared to give local authorities a free rein financially.

He said: "They must inevitably seek to impose measures of financial control upon local government expenditure - it follows as night follows day."

However, Mr Peter Wright of Cambridge, leader of the Labour group on the association, called on Mr Thomson publicly to state that local authorities should be providers of services to their community, not just enablers. He demanded that the Conservatives present should "stand up for local government" against the attacks of Mrs Margaret Thatcher and Mr Nicholas Ridley, the Environment Secretary.

In spite of these brave words, there was a flood of financial realism among Labour councillors at the conference.

Labour and Conservative councillors were united of one voice at least. They feel that the days of the large county councils are numbered and that the districts, which are closer to the people they serve, will inevitably take over their role. Labour, however, envisages the replacement of the counties by regional authorities with a strategic role over a large area.

Mr Thomson was optimistic that district councils would continue to flourish as the dinosaurs of the old system were replaced by the tigers and lions in the jungle of local government. This provoked one Labour member to observe that a hyena was already loose in that jungle in the shape of Mrs Thatcher's government.

Third reverse gilts auction oversubscribed

By Simon Holberton

THE BANK OF ENGLAND's third reverse auction for 200m of gilt-edged stock was the third oversubscribed. The Bank said yesterday: "The Bank received offers valued at nearly £1.35bn for three stocks it said it wanted to buy back."

The Bank said it had no further plans to hold auctions. However, analysts said the degree of interest and the firmness of prices meant the Bank was likely to have at least one auction this financial year.

The three stocks it targeted, the average price and yield at which they were purchased are: 8½% Treasury Stock, due 1994, at 291½ to yield 10.95%, £198.2m bought; 12½% Exchange Stock, due 1994, at 210½ to yield 10.95%, £177.9m bought; 9½% Treasury Stock, due 1995, at 210 to yield 10.74%, £135.6m bought.

Toyota Derby office

TOYOTA is opening an office in Derby this weekend to coordinate preparations for the 2700m, 200,000 cars-a-year assembly plant it is to build at nearby Burnaston.

Initially, the office is to be managed by 10 Toyota representatives from Japan

Manx bank crash victims win hearing

By Rachel Johnson

LEAVE HAS been granted to depositors of the crashed Savings and Investment Bank on the Isle of Man to take their case directly to the Privy Council in the UK.

The case, a representative action brought by Mr and Mrs Robert Davies of Port Erin, Isle of Man, on behalf of depositors, is expected to be heard in October.

Depositors are suing former members of the Manx Government and the Government Treasurer for damages, alleging they owed a duty of care to depositors and were negligent

at the time of the crash. In the Manx Court in April, the case was struck out but depositors were granted leave to appeal.

Funding for depositors' action comes from assets recovered by the bank's liquidators with the agreement of the depositors' committee of inspection, so leave to bypass the Manx Appeal Court and go to the Privy Council represents a considerable saving for depositors. This week depositors have claimed court's permission to release a further £120,000 from recovered assets for cost of the action.

Mr Ken Potts, representing the depositors' committee, said they would not be appealing against the Appeal Court ruling but against points of law raised in the hearing relating to negligence and duty of care.

Pleadings in the criminal case against eight former directors, officials and agents of the Savings and Investment Bank are due to be heard on the Isle of Man on July 13. The trial is expected to start in the autumn. The bank crashed in 1982 with debts of over £22m and many depositors lost their life savings.

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Recommended Final Cash Offer for The Gateway Corporation PLC

Samuel Montagu & Co. Limited ("Samuel Montagu"), N M Rothschild & Sons Limited ("Rothschild"), Wasserstein Perella & Co. International Limited ("Wasserstein Perella") and Dillon, Read Limited ("Dillon Read") announce on behalf of Newgateway PLC ("Newgateway") that, by means of a formal offer document dated 1st July, 1989 (the "Offer Document") to be despatched to The Gateway Corporation PLC ("Gateway") shareholders today, Samuel Montagu, Rothschild, Wasserstein Perella and Dillon Read will make a final offer (the "Final Offer") on behalf of Newgateway to acquire Gateway shares not already owned by Newgateway. Newgateway specifically reserves the right to extend the Final Offer beyond 24th July, 1989. Terms defined in the Offer Document have the same meanings in this advertisement.

The Final Offer for Gateway shares is a recommended cash offer of 247p in cash for each Gateway share. Acceptors of the Final Offer may elect to receive part of their consideration in Loan Notes in lieu of cash on a £1 for £1 basis. The full terms and conditions of the Final Offer, including the Loan Note Alternative, are set out in the Offer Document.

Subject to the despatch of the Offer Document, the Final Offer will be capable of acceptance from and after 11.59 p.m. on 1st July, 1989. Subject to the despatch of the Offer Document and with effect from that time, the Final Offer is, by means of this advertisement, extended to all persons to whom the Offer Document may not be despatched and who hold, or who are entitled to have allotted or issued to them, Gateway shares. Such persons are informed that copies of the Offer Document and Forms of Acceptance will be available for collection from Samuel Montagu & Co. Limited, 10 Lower Thames Street, London, EC3R 6AE and N M Rothschild & Sons Limited, New Court, St. Swithin's Lane, London, EC4P 4DU.

The Final Offer will not be made directly or indirectly in, or by the use of the mails or by any means or instrumentality of interstate or foreign commerce or of any facilities of a national securities exchange of the USA. The Loan Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and accordingly the Loan Note Alternative will not be available in the USA or to US persons. The Final Offer will not extend to Gateway ADRs.

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1st July, 1989

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UK NEWS

EMPLOYMENT

Union swims towards Labour mainstream

Only unilateralism separates the TGWU from Neil Kinnock, says Charles Leadbeater

AT TIMES this week's Transport and General Workers Union conference in Brighton has seemed like a reaffirmation society for semi-detached members of the labour movement.



Neil Kinnock and Ron Todd: agreeing to differ on nuclear policy issue

On issue after issue delegates came to the rostrum to pledge their loyalty to policies agreed over the years by previous biennial conferences. Some revealed in their disdain for the Labour Party's policy review.

It voted to take government money to fund postal ballots of its members, with Mr Todd warning delegates: "We should never allow ourselves to be accused of sticking to a line when the circumstances surrounding it have completely changed."

The largely unnoticed stream of revisionism which has flown from Brighton was mainly due to Mr Todd's powers of persuasion. Loyalty to Mr Todd was also the main factor in the disarmament vote.

Both sides seem determined not to allow the dispute to rumble on. Mr Kinnock did not see the flames by referring to Mr Todd's speech, despite his accusation that the party policy was glaring nonsense, which would melt like an iceberg in the sun, under the scrutiny of an election campaign.

pressure will probably soften the union's opposition rather than alter its stance. Some of the TGWU's centrists - an endangered species in a union increasingly dominated by political machines dedicated to grinding out loyalty to left and right positions - believe a compromise could have been worked out around a motion which called for a variety of disarmament measures.

According to senior officials, Mr Todd will speak in the debate, accept defeat and then abide by conference policy by keeping quiet. As one put it with a shrug: "If Neil Kinnock wants to slap us, I suppose we will get slapped."

BBC rejects compromise solution to pay dispute

By John Gapper, Labour Correspondent



Michael Checkland: underlined financial difficulties

THE British Broadcasting Corporation yesterday rejected a possible compromise solution to its pay dispute with staff, and said it would have to be cut from the cost of programmes-making in Britain to finance its revised offer.

Mr Michael Checkland, the Director-General, said the cost of additions to an imposed 7 per cent pay award would amount to 9 per cent of the wage bill in consolidated payments, together with a further 2 per cent in one-off sums.

The BBC unions have not called any lightning strikes in the campaign of industrial action this week. There have been signs of some disagreement about how to proceed and whether to try to disrupt broadcasting of the Wimbledon tennis tournament.

WH Smith and Menzies to test Eftpos system

By David Barchard

THE high street stationers WH Smith and John Menzies are to join trial runs of Eftpos UK, the national cashless shopping system, which is due to be launched in the autumn.

British developer will build £150m centre in Moscow

By Paul Cheswright, Property Correspondent

CARROLL, the privately-owned British property and industrial group, has signed what it calls a final protocol with Mossoviet, the Moscow City Council, to build and run a £150m trade centre in the Soviet capital.

One problem the negotiations face is that it is difficult to place a value on the land, because there is no market. This also means that the £150m tag placed on the completed value of the project is a rough estimate.

Lord Hanson, chairman of Hanson, the acquisitive conglomerate, has a good name. When he is contemplating a new acquisition or starting to read his Financial Times at 6am, he often does it to soothing background music.

Hanson plan to switch off radio chat

By Raymond Snoddy

LORD HANSON, chairman of Hanson, the acquisitive conglomerate, has a good name. When he is contemplating a new acquisition or starting to read his Financial Times at 6am, he often does it to soothing background music.

Productivity 'up at union companies'

By Charles Leadbeater, Labour Editor

PRODUCTIVITY grew more rapidly at unionised companies than non-union companies between 1980 and 1984, according to a detailed study of productivity and unionisation in 107 British manufacturing companies, published by the London School of Economics.

Checking up on the check-outs

By Charles Leadbeater, Labour Editor

"GET A move on, the computer is keeping a check on you," a young check-out assistant working in a north London supermarket warned her colleague next door.

Table titled 'GRANVILLE SPONSORED SECURITIES' with columns for High/Low, Company, Price, Change, Yield, and P/E. It lists various financial instruments like 340 295 Am. Brt. Int. Deficiency, 35 25 BGI Group, etc.

Soviet students will study sociology in Manchester

By Ian Hamilton Fazey, Northern Correspondent

A GROUP of 21 mature students from the Soviet Union will arrive tomorrow for a three-month crash course at Manchester University in modern sociology.

Judge varies drug trafficking restraint order in favour of bank

By Raymond Hughes, Law Courts Correspondent

A BANKER'S right to combine a customer's accounts is not removed by a restraint order made in respect of those accounts under the 1986 Drug Trafficking Offences Act, a High Court judge has ruled.

Docks row over pension payments

By Jimmy Burns, Labour Staff

A NEW row developed yesterday between port employers and TGWU transport union officials over the issue of pension arrangements for dockers leaving the industry after the abolition of the Dock Labour Scheme.

Pensioners' conference outlines its demands

By Eric Short, Pensions Correspondent

DEMANDS for immediate increases in the basic state pensions levels, a return to linking pensions with rises in national earnings, free public transport for pensioners and more resources for the National Health Service formed the centrepiece of the first conference organised by the newly formed ITG Pensioners' Committee held yesterday at Congress House.

Table titled 'I.G. INDEX LTD. 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD' with columns for FT 30, FTSE 100, and WALL STREET, listing various market indices and their values.

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Advertisement for Institut de Français, a language school. Text: 'The most renowned school for French INSTITUT DE FRANCAIS... MAKES LEARNING FRENCH A WONDERFUL AND UNIQUE EXPERIENCE...'

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Advertisement for CBO (Guaranteed Secured Floating Rate Notes). Text: 'USD 210,000,000 Guaranteed Secured Floating Rate Notes due 2009...'

Handwritten signature or stamp at the bottom center of the page.

صبراً من الاعمال

UK NEWS - THE SLUMP IN THE HOUSING MARKET

Faced with rising inflation and an escalating trade deficit, the Chancellor deployed the interest rates weapon to reduce spending power
The taming of the house price rises moves according to plan

MR NIGEL LAWSON, 57, is a home-owner with a mortgage and a high-profile job in Westminster. In the past year he has seen interest rates almost double and house prices stagnate.

And he is smiling.

The taming of the great house price uprising has been arguably the most successful part of the Chancellor's economic strategy of the past year. Mr Lawson raised base rates from 7 1/2 per cent last May to the current 14 per cent largely with housing in mind.

Prices rises of 30 per cent a year or more were both a signal and motor of unstably fast economic growth, the Treasury argued. They were seen as fuelling excessive consumer spending which had knock-on effects in pushing up prices and sucking in imports.

The result was higher inflation and an escalating trade deficit. The interest rate weapon was deployed deliberately to push up mortgage rates and reduce housebuyers' spending power.

So far, the housing market has responded according to plan. Prices are no

longer rising across the UK (although the year-on-year growth rate is still high) and have fallen in some regions.

Of course the Treasury could have been fortunate, seeking to turn the housing market at a time when it was beginning to cool of its own accord. With luck, the Treasury hopes, momentum will return in the near future - but with prices rising at a much flatter rate.

The Treasury's concern arose mainly from the effects of house prices on individuals' behaviour. These were twofold.

Firstly, rising house prices boosted wealth and therefore confidence - an important determinant of consumer spending. If, as some economists believe, individuals aim to accumulate some pre-determined level of wealth, rapid house price rises also meant less saving was needed to meet their target.

As prices slow, consumers should return to accumulating. There are some encouraging signs. In the first three months of this year the proportion of income saved by the personal sector stabilised at about 5 per cent, after reaching a 30-year

low of 4.5 per cent in 1988 as a whole.

The second effect was to encourage borrowing. As prices rose, so-called "equity withdrawal" accelerated as lending by banks and building societies earmarked for house purchases ended up being spent in shops.

THE HOUSE price boom is ending. According to a survey this week by the Royal Institution of Chartered Surveyors, more than half of the 154 English and Welsh estate agents questioned said prices were falling. The fear of yet higher

Mr Gavyn Davies, chief UK economist at Goldman Sachs, estimates equity withdrawal increased by 250m last year, boosting consumer spending by about 3 per cent.

He said: "It looks like the increase in bank and building society lending for house purchases is going to fall from 540bn in 1988 to 250bn this year and that equity withdrawal is going to fall by about

55bn. That is a big negative impact."

The Treasury also saw unpleasant side-effects from high turnover in the housing market. Moving house provides an excuse to extend borrowing and buy consumer durables such as do-it-yourself goods, furniture, carpets and curtains.

mortgage rates is adding to the uncertainty, Financial Times writers look at the implications for the economy and those most affected - including lenders, agents, housebuilders and home-owners.

At the same time rapid price rises widened regional variations, adding to the problems attracting labour in many areas.

To an extent the problems were of the Treasury's own making - or at least should have been foreseen. Throughout the late 1980s, house price rises were fuelled by strong earnings growth, expanding numbers of households, declining council housing, and revolutionary

changes in the market for mortgage provision.

Less forgivable was the Treasury's decision last year to delay until August its Budget change restricting mortgage tax relief to 200,000 per property regardless of the number of borrowers. The effect was to trigger a rush by individuals clubbing together to buy. By the third quarter of 1988 average house prices were equivalent to 4.4 times average earnings - only slightly lower than in 1973, the last major cyclical peak.

The danger Mr Lawson now faces is that of overkill. Steep, prolonged falls would have damaging effects on confidence and economic activity and, perhaps more cynically, cost the Government votes.

To date there is no evidence that this is happening - but the risks are not insignificant. The effect of house price movements are far more pronounced than, say, share price changes. A severe slowdown or even slump would wreak much more damage than the stockmarket crash of two years ago.

Central Statistical Office estimates for

1987, the latest year for which information is available, show residential buildings owned by the personal sector were worth 2740bn - about half the net wealth of the sector. In contrast, holdings of UK ordinary shares were worth 120bn (although this excludes equity in life assurance and pension funds).

With hindsight, the crash had little impact on consumer spending. In part this was because it simply reversed rapid growth in share prices earlier in 1987 that had not been fully reflected in individuals' spending behaviour.

The housing market is currently following a similar pattern. The speculative froth has been removed; buyers and sellers are being more realistic.

Its slowdown has almost certainly begun to hit consumer spending. But it has not completely worked through. The track Mr Lawson will want to perform is ensuring prices remain consistent with his macro-economic goals while avoiding a full-scale rout.

Ralph Atkins

Homelessness is symbol of failure

THERE IS no more distressing signal of the inefficiencies of the current housing market than the rising tide of homelessness.

The squeals of the overstretched mortgaged in the south east arouse no sympathy from families caught in the bed and breakfast trap.

Shelter estimates that there are 364,000 people who are officially homeless, which means they are accepted by the local authority as being in need. The figure has doubled in the last 10 years. The number of single people, for whom local authorities do not accept responsibility, could be much higher.

The homeless problem springs from two main factors which point to the inadequacies of the market.

Government-commissioned research has shown that the homeless, in the main, are not trying to force the hands of authorities. The fault lies with the shortage of low cost homes, particularly in the rented sector.

The other is the regional disparity in supply and demand for housing. One quarter of the official homeless are in London and people continue to crowd into the south east.

These factors need to be seen in the context of the overall trend for housing costs - renting and buying - to rise in Britain. The need is to find ways to make good housing available to people on low incomes, and to make sure that houses are available in the places that people want them.

Public sector housing was the answer. The size of this sector is the unique feature of housing in Britain. In Scotland, 47 per cent of the housing

Builders eat into profit margins to force sales

PROFITS of some housebuilders will fall this year, but 1990 looks like being worse, according to stockmarket building analysts.

Sales of homes, according to estate agents, have halved during the first six months of this year, although housebuilders have been able to offer mortgage subsidies and other sales incentives to encourage buyers.

They have been able to do this by eating into profit margins which had risen steeply as a result of the large price increases which had occurred during the past 18 months and which are still working their way through the sales cycle.

The average price of a UK home this spring was still 25 per cent higher than 12 months earlier despite the sharp downturn in the market since the autumn.

Mr Tony Williams, building analyst for UBS Phillips & Drew, said: "Builders will not have the flexibility to carry profits forward as they did following last year's record profits."

Regional markets such as northern England, which had continued to perform strongly, are now starting to show signs of slowing down.

Companies will not have the facility to trim margins further.

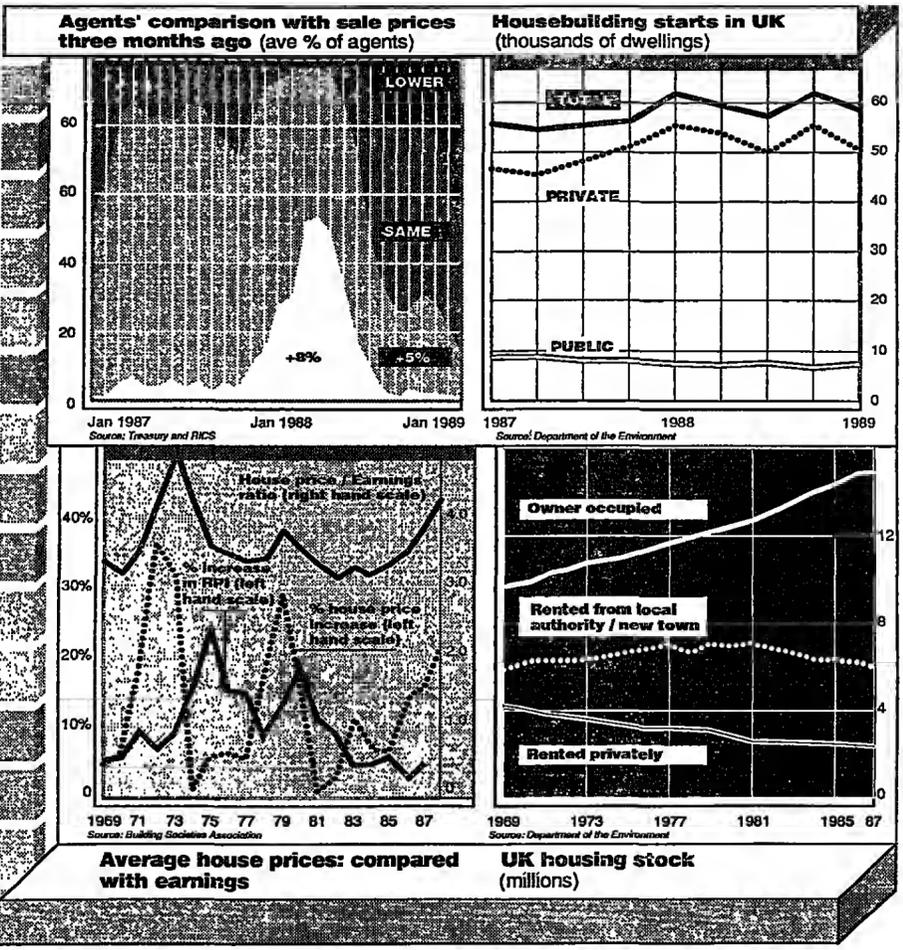
Sir Clifford Chetwood, chairman and chief executive of Wimpey, Britain's second largest housebuilder, said: "We have cut our target for this year from 8,750 houses to 8,000 - and at the moment are ahead of our sales target."

He said companies which had not prepared for the downturn had paid too much for land and had large debts to service, would be worse affected.

Builders in the three months to the end of April started work on 26 per cent fewer homes than during the corresponding three months in 1988. Work on some sites has been halted, to allow sales to catch up.

Smaller developers, particularly in south east England, where land prices are much higher, are most at risk. One north London developer has a block of nine converted flats worth more than £1m which have been on the market for several months without a single sale being completed.

Andrew Taylor



Lenders pin hopes on recovery next year

THE END of the house buying spree has left lenders whistling bravely in the dark.

Now that prospects of a market recovery in the autumn have faded, the lenders are straining to glimpse some light in seven or eight months' time.

"Our business volumes have dropped by around 30 to 40 per cent," says Mr Garry Marsh, head of planning and research at Halifax, the largest UK mortgage lender with a market share of around 18 per cent.

Mr Marsh believes that the market will start to level up before long. "The growth of our balance sheet will be lower," he says. "But in terms of overall performance, we should not do too badly this year, even if there are trading losses on some operations such as estate agencies."

This unruffled approach is reflected in Halifax's marketing policies. It has maintained a high television advertising budget, emphasising its newly acquired estate agency chain, while indicating that it intends to go on holding its lending rate down at 13.75 per cent for as long as possible.

While other building societies follow Halifax's lead, banks and mortgage companies have more difficult choices. For the banks the choice is between staying in a mortgage market where rates are squeezed below base rate by intense competition, or putting their funds into the more profitable wholesale markets.

"We review the situation every week, but we have no plans for a change at the moment," says Mr Gil Gillis, managing director of NatWest Home Loans, National Westminster, the largest of the four clearers, has decided to stay in the mortgage market and has raised its mortgage book from 25.5bn to 27bn since the beginning of the year.

Other clearers are reacting differently. Lloyds, which was undercutting its competitors and also claims to have increased its mortgage business this year, recently raised its rate into line with the others.

By contrast, Barclays appears to have decided that it would do better to place the mortgage market on a backburner and return when things improve.

For the mortgage companies and foreign banks which have entered the UK mortgage market in the last three years and now have a share of around 15 per cent, the reality is harsher.

They are wholly dependent on the wholesale markets for funding and so under pressure when interest rates are high.

It is hard to find anyone who admits that it is a struggle to survive in a market which is likely to have shrunk from 25bn last year to around 23bn by the end of this year.

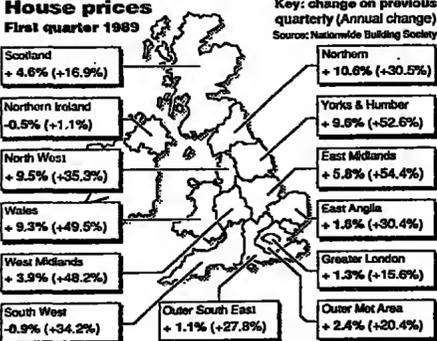
The three largest of the centralised lenders - National Home Loans, the Mortgage Corporation, and the Household Mortgage Corporation, all report mortgage business well up on 1988, though about half seems to be coming from remortgages.

Adverse market conditions have not halted the stream of foreign firms setting up in the UK mortgage market. Societe Generale of France opened its mortgage operation in April, the fifth French bank to do so.

"Who, then, is losing out?" "One does hear names," says Mr Duncan Young, chief executive, Household Mortgage Corporation. "They tend to be those non-specialists from other financial services who get into the mortgage market without the necessary professional skills in funding."

When the base rate rose to 14 per cent on May 24, the centralised lenders were able to hold their rates down. Yesterday most of them were poised to increase them to between 14.5 and 14.7 per cent.

David Barchard



Hazel Duffy

Taking a pay cut to buy a bigger house

MARK, a 35-year-old computer programmer living on the borders of Essex and Cambridgeshire, is planning to take a pay cut to move to Birmingham. He says he will be able to buy a bigger house, in spite of earning less money.

Married with three children, Mark earns more than £25,000 a year. Two and a half years ago he bought a three-bedroom, semi-detached house for £56,000. He wants to buy a four-bedroom house, but like many others in south-east England can find nothing he can afford.

"The salary being offered in Birmingham is £1,500 to £2,000 less than I am being paid in London, but I will be able to afford a much bigger house because property prices in the Midlands are much lower," he says. He also expects to cut his daily travel time to work by up to two hours.

The problem will be in selling his existing house. Similar homes in the area were selling easily last summer. The price approaching £125,000. The price of a nearby property, which has already been on the market for several months, has just been reduced to £96,000 with still no sign of a buyer.

People moving from the south east to other regions may be able to buy more cheaply. Pensioners in recent years have been able to release large sums of money this way - but they have to sell their homes first.

Builders of retirement homes, like McCarthy & Stone and Anglia Secure Homes, have seen sales drop by about a third as elderly ladies - the average age of purchasers is more than 70 and most are women - have decided to stay put rather than try to find a buyer for their existing homes.

Many people moving from other regions to south-east England still cannot afford to buy because of the price gap between the regions - a factor which has discouraged job mobility and increased skill shortages in the south east.

Halifax, Britain's biggest housing society, says house prices in London since the late 1980s have varied between 1.6 times and 2.5 times house average prices in Yorkshire.

London prices at the end of March were still twice those in Yorkshire and Humbersides.

Andrew Taylor

Estate agents no longer turn an easy buck

ESTATE AGENTS have been among the worst affected by the decline in the British housing market. Up to 1,000 estate agents' offices are estimated to have closed trading in the last nine months.

Large national chains - many only recently acquired by banks, building societies and insurance companies - have closed unprofitable branches, shedding hundreds of jobs in the process.

Some small, independent agents have been forced to shut under the pressure of paying rates and rents on expensive high street properties.

Two months ago, these offices would have been bustling with eager house buyers. But since last September, when the bubble burst, 1,000 out of the 17,000 UK estate agents'

offices may have closed, according to Mr Trevor Kent, president of the National Association of Estate Agents.

"The growth in the industry as large financial institutions have moved into estate agency means competition has become greater," Mr Kent says. "The fall-out therefore has been higher as house sales have been halted. He reckons that 3,000 agencies were opened between 1985 and autumn 1988.

One consequence of that rapid growth in the industry has been the recent government attempts to control disreputable operators by a voluntary code of practice backed by the Office of Fair Trading.

In the new climate, a few firms are now turning away sellers who refuse to reduce prices. They say they cannot

afford taking on properties that have no chance of selling.

Most agents charge commission as a percentage of the selling price and get paid on completion. No sale means no pay.

"Overheads have to be cut when cashflow dries up: the firm's Jaguars have to be exchanged for Ford Orions," said one Leicestershire agent.

Agents have also cut the number of their mailing shots. Others have been trying to reduce photocopying costs. Some agents in southern England, according to Mr Kent, have started to bill sellers for advertising - a common practice in parts of northern England where sale prices and agents' commissions are lower.

Firms have also started to charge sellers registration fees when they take on their prop-

erties. Heywood & Sons in north Staffordshire has introduced withdrawal fees of 250-£100, to cover costs when vendors take properties off the market before a sale.

Prudential Property Services, part of the insurance group, has closed 60 small branches this year while Black Horse Agencies, part of Lloyds Bank, has closed 40 branches.

Nonetheless, the Pru has warned that its estate agency business will make a loss this year unless there is a recovery in the level of house sales.

Losses of about £10m are expected for the first half. Other large financial groups are also thought to be suffering losses from estate agencies.

Andrew Taylor

Furniture makers face uncomfortable time

MR JOHN ASHCROFT is a beneficiary of the housing boom. He and his colleagues have all the trappings - sharp suits, the business school banner and travel in the corporate helicopter - of successful 1980s executives.

As chairman of Coloroll, one of Britain's biggest home products groups, he has seen his company's sales soar as people have lavished money on new properties.

Now the housing boom is over, however, companies like Coloroll have to come to terms with the fact that the British are no longer able or willing to spend quite so much on their homes.

So far Coloroll has emerged relatively unscathed. Yesterday Mr Ashcroft told shareholders at its annual general meeting that sales rose by about 10 per cent in the last three months. He also warned, however, that sales of DIY products have weakened in recent months and that there

was no sign of recovery.

The demand for almost every sort of item associated with the home - from furniture and furnishings to DIY products - started to slide last autumn when the Chancellor announced a swift succession of interest rate rises.

The slowdown in sales accelerated after Easter, when many people had to pay more for their mortgages. Suddenly fewer new homes needed fitting out, and people had less money to spend on furniture and fittings for old properties.

When the increase in interest rates was first mooted, the home products companies consoled themselves with the thought that the people who had decided not to move in a weak housing market would probably do up their old homes instead.

This view turned out to be over-optimistic. For the psychological blow of a weak housing market and the impact of higher interest rates on dis-

posable incomes has dealt a serious blow to consumer confidence.

One of the biggest DIY superstore groups said that people have lost the confidence to do "anything to their homes, even little jobs, which involve spending extra money or extending credit."

The downturn in demand has had an erratic effect across different regions and different products sectors. London and the south-east, where people tend to have hefty mortgages, have been the worst hit areas. Other regions have remained relatively resilient.

John Lewis, the department store chain, has experienced a sales decline across some home product sectors - such as fitted kitchens and bedroom furniture - so far in 1989. Its London stores have borne the brunt of the decline, while demand in the north and Scotland is still reasonably healthy.

The pattern of sales across different product sectors has

varied enormously. Broadly speaking the high-ticket items, like carpets and three-piece suites, have suffered most.

Mr Richard Willan, managing director of Christie Tyler, the Hillsdown subsidiary which is Britain's biggest furniture maker, said that when

ever consumer spending is squeezed "people always realise that they can live without a new three-piece suite for a little longer."

The downturn in demand has already affected output and profitability in the industries involved with home products.

There are already reports of short-time working and job losses in the furniture and carpet industries.

Ten days ago Coats Vyeella, the textile group, announced the closure of its carpet factory at Bailey in Yorkshire, with the loss of 150 jobs.

Coats had been planning to rationalise the plant for some time, but had hoped to maintain some production at Bailey.

The slowdown in sales forced it to reconsider its plans, however, and the company's board decided it had no option but to close the plant.

Alice Rawsthorn



John Ashcroft: no sign of recovery in DIY market

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Saturday July 1 1989

Mrs Thatcher and the Emu

IN THE week that Mrs Thatcher proved again that she is a consummate politician, she was her European colleagues' by her ostensible reasons that they conceded far more than expected, although she did not concede as much as she seems to have done. The less, Mrs Thatcher's freedom of manoeuvre for the date for UK membership of the exchange rate mechanism of the European Monetary System (EMS) remains all too intact. Full membership remains a distant prospect. While unable to prevent commitments either "progressively to achieve economic and monetary union" or to ask the competent bodies to "carry out the preparatory work for the organisation of an inter-governmental conference," she remains free to fight over the form that economic and monetary union (Emu) will take.

But the terrain for the battle is not as wide as her subsequent statements suggest. The report by the committee under Mr Jacques Delors may be no more than a basis for discussion. But Emu must mean something more than the present EMS, combined with greater co-operation among finance ministers and central banks. A barely modified version of the first stage of the programme outlined in the Delors report will not be enough.

The essential preconditions for anything that deserves to be called Emu are free trade in goods and services, free movement of capital and labour, and irrevocably fixed exchange rates (with the emphasis on "irrevocably"). The EMS programme for completing the internal market should secure the first two. The report of the Delors committee suggested how to achieve the last. But it went beyond the minimum requirements in proposing a complex institutional framework for a common monetary policy, for regulating the fiscal policies of the member states and for transfers of resources among them.

Ambitious proposals

Why were the proposals so ambitious? The single most important reason was that many - notably in France and Italy - wanted the proposed political institutions even more than they want Emu itself, seeing them as a decisive stage on the road to political integration of the European Community.

But there are also economic motives. First, there is the hope that the economic policy of the EC would be less dominated by the preferences of the West Germans than has been the case within the EMS. Sec-

ond, there is a belief that fiscal policy is a powerful tool which is not available to the EC at present and can only be given through central control over national budgets (given the minuscule relative size of the EC's own budget). Finally, there is the fear that without large fiscal transfers the poorer regions will fall ever further behind.

Maximalist position

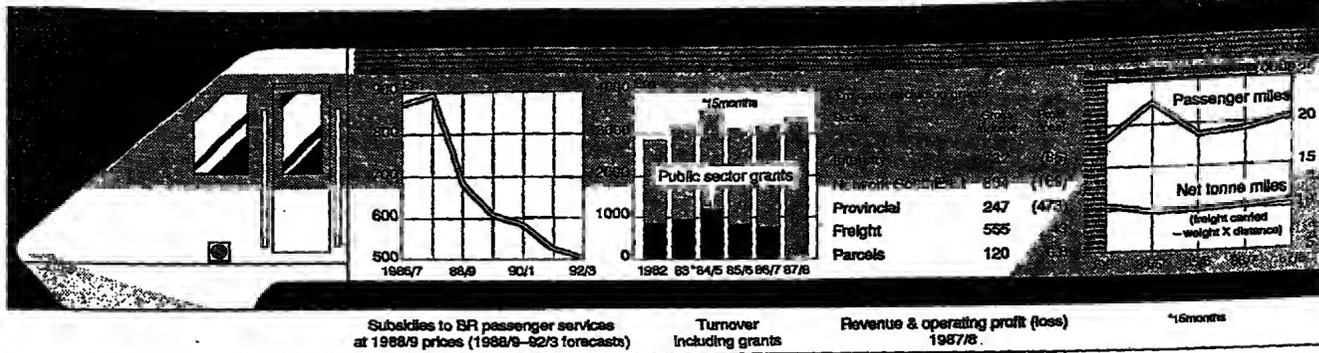
So the maximalist position has weighty support. This does not mean that it must be accepted, but good reasons and, among important allies, must be found when trying to modify it. There are such reasons and the effort should be made. It is not mere pedantry to suggest that economically disturbing arrangements like the common agricultural policy, however compelling they may have been politically, have served rather to make the EC a laughing stock than to strengthen it. An equivalent disaster over Emu would have far more serious consequences.

In short, the challenge for the UK is to accept the essential preconditions of Emu, while doing everything possible to ensure that both the goal and the path towards it lacks the "airy-fairness" despised by the Prime Minister. The point on which the UK must insist is that Emu is an economically risky and difficult course, which must not be rushed.

In considering the details of the system, it must be accepted that a common monetary policy will be needed, but it should be one that gives predominant weight to price stability. At the same time, coercive power over fiscal policy is unnecessary, however useful discussion of those policies may prove. Equally important, fiscal transfers among member states cannot possibly serve as a substitute for labour market flexibility, which would be still more important under Emu than now. Finally, nothing in Emu should imperil any aspect of the single market programme, especially the freedom of capital flows.

The weight of such criticisms and suggestions would be greatly increased if the Government could make it clear that it is committed to lowering inflation to levels already seen in other parts of the EC. Whether it can influence the course towards Emu or even manage its own monetary policy more successfully than it has in recent years, without a more plausible commitment to entry into the exchange rate mechanism, is doubtful. Mrs Thatcher has had her victories in Madrid, but some of them may prove Pyrrhic.

FT writers examine British Rail's future in the light of the weekly strikes



Issues privatisation cannot resolve

Thatcherism might have been born from the frustrations of commuters in the 1970s. Its language echoed from crowded trains and dismal station bars as frustrated travellers gathered to bemoan the nationalised industry and the monopoly unions which made their mornings and evenings a misery of unreliability.

Now Mrs Thatcher is again on home ground voicing the indignation of commuters at the one-day-a-week series of rail strikes. She has greeted the worsening of the dispute with a mixture of anger and characteristic eagerness for the fray. It has given her an opportunity to do what she feels she does best - present a resolute image to the electorate while seeing off a challenge to authority.

Thus in the short term the strikes are not without clear benefits for the Government. An unpopular industrial dispute provides a welcome distraction from the Tories' losses in the European elections, the divisions within the Cabinet, growing public concern over inflation, and the troubles with doctors and lawyers. There is also a perception in Downing Street that the longer the strikes continue, the greater the opportunity to use them to tarish Labour's new image of moderation.

Yet despite the short-term gains, the rail dispute raises some troubling questions for the Government.

The first is the difficulty of its approach to pay. Railway workers' anger at the imposition of a 7 per cent pay award has been fuelled by higher increases elsewhere - such as last month's 9.2 per cent settlement for 76,000 workers in the electricity supply industry - after recent rises in inflation and interest rates. This has raised the price unions are asking for wide-ranging changes to working practices.

Many profitable private sector employers have been able to accommodate these pressures. But concern at the Treasury that a wage-price spiral might be gathering momentum means the public sector cannot be seen to be validating a further leap in settlement levels. Thus public sector employers may be caught in a vice between the Government's desire to improve public sector efficiency and its determination to keep down the price employers are allowed to pay for change.

The second question for the Government is the strength of its industrial relations legislation. The rail stoppages have led to calls for tighter legal curbs on unofficial action and public sector strikes.

A move against unofficial action might well not be practical. It would either involve giving unions a much stronger role in disciplining their members or taking legal action against particular individuals. Legislation against strikes in the public sector would be complex and controversial.

The third issue is the Government's approach to reform of the public sector and privatisation. As with the National Health Service, it is less comfortable talking about reform within public ownership than it is about straightforward privatisation. The Government is expected to announce at the Conservative Party conference in the autumn a final decision to go ahead with the privatisation of BR. Yet the actual sale would not be possible before 1992, particularly as the strikes have strengthened the hand of those calling for the corporation to be broken up rather than sold as a single concern.

The fourth issue is the way in which the strikes, coming after disasters at Kings Cross, Clapham and Purley, and worsening congestion in the south-east, have kept transport at the top of the political agenda. Yet the Government still seems short of a strategic response.

The essential element of the Government's escape from these dilemmas is the resolution of the rail dispute. The NUR yesterday rejected British Rail's call for talks next Wednesday and Thursday. It seems the stalemate is set to continue.

This leaves the Government two options. The success of the eventual privatisation may well depend on whether the rail unions are seen to be tamed. The first option, therefore, is for the Government and the corporation to prepare for a long battle with the aim of defeating the unions decisively.

The other option is to buy peace. Yet, as the disputes in education and health have shown, even when the Government stumps up for a complete overhaul of pay and conditions the long-term benefits are far from certain. Schools still face staff shortages. The NHS is suffering from low morale and high staff turnover.

The Government's chances of a peaceful resolution are in any case hampered by the nature of the dispute. Delegates at this week's NUR conference in Newcastle have repeat-

edly stressed that the two issues in dispute - the imposition of the 7 per cent award and plans to change collective bargaining machinery - are inextricably linked. This may be the last chance the union has to negotiate for all its members at the same time. NUR members talk of a target rise of at least 9 per cent.

From October 31, BR wants to scrap centralised national bargaining in favour of divisional national bargaining. It wants five separate negotiating committees for operations staff (drivers, guards and signaller), telecommunication and signal engineers; civil engineers; electrical engineers; and services staff at headquarters. The system of local negotiating committees, denounced by a recent Monopolies and Mergers Commission report, would be simplified.

BR says decentralised, direct bargaining between managers and shop stewards would be more efficient because it would allow local problems to be solved at local level rather than being passed up to a series of area, regional and national committees. The union, with a structure based on national arrangements, is fearful of having its power diluted.

Mr Jimmy Knapp, NUR general secretary says: "It would mean a loss of pay, depot pay and individual pay. There would be a leaping of pay and conditions downwards."

The solid support for the 24-hour strike the union has called is likely to lead to spreading, worsening action. The electricians' union, EETPU, which represents workers in BR workshops, has backed the NUR. Aslef, the train drivers' union, has backed its 17,000 members on pay and is next week expected to announce a ban on overtime. On Thursday the NUR conference voted for strikes two days a week if necessary.

British Rail underestimated the strength of feeling in the unions. It exacerbated the situation by agreeing

By Charles Leadbeater, Kevin Brown, Philip Stephens and Fiona Thompson

to go to Acas, the conciliation service, for talks, while at the same time seeking a court injunction to ban the strikes. Its several suggestions that it would be prepared to pay more have never been translated into clear offers. It appears the corporation would be prepared to accept a recommendation from the Railway Staffs National Tribunal, the industry's arbitration body, for extra money on the basic rate. But in return it would want a commitment to reforms in working practices, such as more flexible working hours to turn Saturday and Sunday into an extension of the normal working week, further erosion of demarcation lines to create "multi-flexible staff," the spread of performance related pay and local bargaining.

BR's need for these changes will make a settlement more difficult to achieve. Yet they are vital to maintain the momentum behind the "comprehensive modernisation" set in train in 1983 by Sir Robert Reid, the corporation's chairman. This was designed to put an end to the system under which the railways had been run since 1948. Services were effectively controlled by the engineers who ran BR's powerful regional organisations.

Sir Robert broke the power of the regional barons by leaving them in charge of the physical operations of the railway, but putting five new business sectors - InterCity, Network SouthEast, Provincial, Freight and Parcels in charge of marketing, timetabling and procurement.

The impact has been spectacular. BR made record profits of £200m last year, including property profits, and is expected to announce a significant improvement on that figure when its 1988-89 results are announced soon. Over the longer term, BR is budgeting to make operating profits of £300m over the next five years, while investing £2.5bn in new equipment and borrowing just £306m.

Much of the financing gap will be made up by exploiting BR's huge land bank, which will be contributing nearly £100m a year in rental income by 1992, on top of sales forecast at nearly £750m.

The most important figure, however, is the public service operating grant - the passenger subsidy - which is falling rapidly from nearly £1.1bn in 1983 to around £600m this

year, and is forecast to fall to £277m by 1992 (all at current prices).

The present dispute may affect the industrial relations terms for privatisation but will not delay it. The Transport Department is considering four options:

- Selling BR as a single going concern would be the most commercially attractive solution from the Government's point of view, but is probably politically unacceptable in the light of other newly created private monopolies.
- Setting up a track authority to own the railway infrastructure and rent track time to competing operating companies might encourage new operators, but competition would probably be marginal.
- Breaking up the corporation into a small number of regionally based, vertically integrated companies gets the emotional vote, but would militate against international services and provide little head-to-head competition.
- Selling BR's five existing business sectors separately would be favoured by some managers, but would be dauntingly complex.

The latest whisper from Whitehall is that Mr Paul Channon, the Transport Secretary, has been impressed by a new BR proposal that the corporation should become a holding company with five virtually independent subsidiaries. That would have the advantages of maximising the sale value of BR while providing both an integrated national network and an element of competition. It would require separate industrial relations machinery for each of the five sectors, in addition to the separate bargaining units for different grades of staff.

Whatever solution the Government chooses, it cannot solve its rail problems at a stroke. Neither privatisation nor local bargaining is a guarantee of industrial peace. British Telecom, privatised in 1984, is still struggling to break away from the formal, centralised industrial relations machinery it inherited from the public sector. It took the corporation five years to negotiate an agreement on flexible working which was introduced in 1987 after a two-week strike.

In the coal industry the National Union of Mineworkers has virtually been decertified from national collective bargaining since the 1984-85 strike. But greater local productivity bargaining has led to a steady stream of minor, unofficial disputes.

Even if the Government resolves its short-term uncertainty about the path to follow, it cannot count on delivering lasting solutions to its commuting constraints. By the 1990s the grimbles of 1970s commuters may have been translated into government policy, but there is no guarantee that the trains and station bars will not still echo to the sound of dissatisfaction.

Tim Coone reports on the ramifications of Cuba's drugs scandal

A blow to the revolution's soul

THE drugs scandal that is rocking the Cuban government and Communist Party is more than the show trial of a former courier who made a pact with the infamous Medellin cocaine cartel of Colombia. It suggests that some important changes may be taking place in Cuba, and may also be about to take place in Central America.

Gen Arnaldo Ochoa Sanchez, number three in Cuba's hierarchy after President Fidel Castro and his brother Raul, the Defence Minister and armed forces chief, has shocked his country's revolutionary establishment. He was found guilty this week by a military tribunal of 47 Cuban generals of accepting \$2m over a period of two and a half years for assisting in the smuggling of six tonnes of cocaine into the US.

With him have been arrested some six other senior officers from the armed forces and Interior Ministry. The Interior Minister himself, Gen Jose Abrantes was obliged to resign on Thursday. For Cuban society, in which the armed forces and Interior Ministry have symbolised revolutionary purity and dedication, this fall from grace is like a blow to the very soul of the revolution.

It is not the first scandal to hit the government. But President Castro has always been a clever politician. Whether the scandals were economic and planning failures, cases of bribery and corruption, or military desertion, the Cuban leader until now has been able to lay the blame for the revolution's shortcomings on individuals rather than on the revolution itself - and thereby head off political reform.

If Gen Ochoa gets the death penalty, as requested by the military, the severity probably has as much to do with the spreading problem of drug abuse in Cuba as with the now publicly-acknowledged drug trafficking to the US.

The US has been complaining of a Cuban government drugs connection since 1982. Cuba lies in the direct flight line of light aircraft carrying drugs from the Colombian coast to southern Florida. Significantly, the accusations of Ochoa's drug involvement date back to 1987, when the Medellin cartel began to encounter difficulties refuelling



General Arnaldo Ochoa: tried on television too

through its traditional conduit, the Bahamas.

It is not inconceivable that President Castro might have turned a blind eye as long as Cuba itself was not affected, in order to weaken his arch enemy, the US. But now there are many reasons for wanting a show trial and exemplary punishment of Gen Ochoa.

Severe economic problems are undermining the authority of the Cuban regime, which is now concerned to improve relations with the US. Furthermore, a member of Comecon, is looking more isolated than ever in the Gorbachev era. It is under great pressure from the Soviet Union to adopt political and economic reforms along the lines of glasnost and perestroika. President Castro has implacably resisted this pressure, choosing to clean up the bureaucracy rather than reform it.

This, however, is the most far-reaching purge since the 1959 revolution. Scandal has never reached so high in the system. And like the Iran-Contra affair in the US, a serious doubt exists as to whether the chief executive was as entirely ignorant of the goings-on of his

subordinates. Officially there is no drugs problem in Cuba. Segments of Cuban society nevertheless do have access to cocaine and marijuana. The problem has broadened beyond artists and bohemians to include youth, blacks and now, it seems, the armed forces.

But the unresolved mystery of the Ochoa case lies in his motivation. As a decorated hero of the revolution, the former commander of Cuba's troops in Angola and Ethiopia, he had reached the peak of his career. He was part of the revolutionary elite, with access to privileges denied the average Cuban. Would the risk of losing these be worth a share in \$2m, which he could not in any case spend in Cuba without arousing suspicion?

The answer may prove to be more complex than a simple desire to secure a nest egg for exile and retirement. Some observers of Cuba's closed ruling group believe that Gen Ochoa might have had his own political ambitions, for which he was amassing a war chest.

There could be wider implications. In recent weeks President Castro was reportedly approached by the US to mediate in the long-running Panama

crisis, precipitated last year when US authorities accused Panama's military strongman Gen Manuel Antonio Noriega of drug trafficking. If there was a drug connection between the Panamanian and Cuban military, then Gen Ochoa's arrest would be a logical first step to break it. President Castro's best option to ensure Gen Noriega's withdrawal from power may, some analysts now believe, be being traded for an easing of US sanctions against Cuba.

In Nicaragua too there seems to be a connection. Cuba and Nicaragua are the only countries in Latin America that continue to express support for Gen Noriega. During this week's trial, Col Antonio de la Guardia, also accused of trafficking, stated that Gen Ochoa, by his own admission, had drugs "connections" in Nicaragua. Gen Ochoa was for two years the chief of the Cuban team of military advisers to Nicaragua. For years the US has fired drugs accusations at both countries. But these have been largely ignored as rhetorical petards in the intense anti-communist crusade Washington has been waging against Havana and Managua.

The Ochoa scandal will revive these accusations and put pressure on the ruling Sandinistas in Nicaragua to make their own investigations public. The defections last week to Costa Rica of a senior Nicaraguan officer, Lt Col Douglas Zuniga, together with his brother, an army lieutenant, have set off speculation that they might be linked to the Ochoa affair.

In the past two weeks Nicaraguan military patrols have been stepped up along the Costa Rican border and restrictions have been tightened on light aircraft flying near that frontier - a share in \$2m, which he could not in any case spend in Cuba without arousing suspicion?

The reason may well be to impede further defections before the net closes, either on the real offenders or on scapegoats.

If the Sandinistas have their own house-cleaning to do, now would be a good time, allowing them to treat it as an adjunct to the more sensational Ochoa affair - rather than in six months time when they will be in the middle of a difficult electoral campaign and under the international spotlight.

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MAN IN THE NEWS

Karl Otto Pöhl Sceptical champion of EC monetary integration

By David Marsh and Andrew Fisher



Mr Karl Otto Pöhl, president of the Bundesbank, has, unlike Mrs Margaret Thatcher, no difficulty in establishing his credentials as a supporter of European monetary integration.

Mr Pöhl, 59, has a contract running to the end of 1985 at the top of Europe's most powerful central bank. As guardian of the D-Mark, the Bundesbank controls the pivotal currency in the European Monetary System (EMS). It also enjoys statutory independence from government and is seen by many as a model for a possible future European central bank. In his post since 1980, Mr Pöhl has played a vital part in making the EMS work. For all these reasons, Mr Pöhl's qualms about the European Community's path towards monetary union, outlined this week at the Madrid summit, must be taken seriously.

In an interview on Tuesday at the Bundesbank headquarters in Frankfurt, Mr Pöhl made clear that, in intellectual terms at least, he shares considerable common ground with Mrs Thatcher. However, Britain - outside the exchange rate mechanism of the EMS, and with an inflation rate well above the Community average - is arguing from a position of weakness. Mr Pöhl has the strength and anti-inflationary record of the Bundesbank behind him.

He points out that the fundamental decisions on monetary union are political, not central banks. He favours extending co-operation built up in the EMS, and in several recent speeches has called the move towards monetary union "irreversible." But he also affirms: "The Bundesbank can live very well with the status quo."

Mr Pöhl says monetary union needs neither a central bank nor a common currency. The definition of monetary union is that it requires European countries to fix exchange rates permanently and to dismantle all barriers to capital movements. A European central bank is "not necessary at all" in the process of monetary convergence. Such an institution could well be "useful," but only as part of an overall policy - following the goals originally laid down in the Treaty of Rome - towards political and not simply economic union.

Mr Pöhl does not want the Bundesbank to give up jurisdiction over German monetary policy to a future European central bank unless it can be guaranteed that a supra-national institution would do an equivalent or better job of

maintaining price stability. He also thinks this condition will be insisted on by the West German electorate and parliament.

He believes the basic issues over the European central bank proposals - the transfer of monetary sovereignty away from the present national institutions - has been grasped by relatively few people, one of whom is Mrs Thatcher. There is some doubt whether this has been understood by Chancellor Helmut Kohl. "If the idea spread and the (German) population understood what it is about - namely that it centres on their money, and that decisions on it would be taken not by the Bundesbank but by a new institution - then I would imagine that considerable resistance might arise," Mr Pöhl says.

He is a breezy, cosmopolitan man who combines surprising sensitivity with a basic for improvement and bright red ties. He sits at the head of what is arguably his country's most-respected post-war institution, but can sometimes appear impatient at the German stiffness of the central banker's life.

The Bundesbank chief has been a member of the Social Democratic Party since 1948, but no longer plays any role in the party. He is clearly out of sympathy with the present SPD leadership's economic thinking. He lives with his second wife and two children in the hills outside Frankfurt and

keeps his home life thoroughly private.

Despite some brushes between the two men in 1987-88, he praises as "constructive" his 6 1/2 years of co-operation with Mr Gerhard Stoltenberg, the former Christian Democrat Finance Minister, who left office in April to take over as Defence Minister. Like Mr Stoltenberg, Mr Pöhl is somewhat suspicious of the impetus given to the European central bank theme by Mr Hans-Dietrich Genscher, the Foreign Minister.

Mr Genscher is seen as having a much better idea than Mr Kohl of the issues involved, as well as possessing the political skills to mount a convincing campaign towards attaining them. The new Finance Minister, Mr Theo Waigel, certainly has a sense of humour - an asset in Mr Pöhl's eyes - but appears preoccupied with affairs in the Bavarian Christian Social Union, of which he is chairman. Moreover, Mr Pöhl has not forgotten that Mr Waigel spoke out against him when his first eight-year term of office came up for renewal in 1987.

A former economic journalist, Mr Pöhl was a protégé of Chancellor Helmut Schmidt, serving as state secretary at the Finance Ministry in Bonn during the 1970s before moving to the Bundesbank as vice president in 1977. His long period on the international financial circuit since the

breakdown of fixed exchange rates in 1971-73 has taught him to distinguish between the desirable and the attainable in world monetary affairs. It has also given him a fine understanding of power-play.

The Bundesbank's autonomy under the 1957 law setting it up inevitably exposes it to unpopularities. At the same time, the Government (in Bonn) is used to the central bank putting up interest rates when it does not suit them." Mr Pöhl remarked, half-mischievously, on Tuesday. Two days later the Bundesbank was at it again, raising its discount and Lombard rates by half a percentage point to rein in the money supply and strengthen the D-Mark.

Mr Pöhl calls for great care in preparing an inter-governmental conference to lay down stages towards European economic and monetary union. This would include the questions of changing the Treaty of Rome and setting up a European system of central banks. "A treaty which provided for a renunciation of sovereignty would have to be ratified by all European parliaments - a very ambitious project," he says. "I think one should not start on such a venture unless there is a good chance of finishing the process."

"If the danger of failure was judged relatively great - and it is my view that it is relatively great, to start with at least - then it would be better to wait. Failure of negotiations

on such a treaty would be the worst possible outcome. It would bring a great setback to the whole process, because then such a thing would not be discussed again for several years."

Mr Pöhl emphasises the need first for the creation of the EC's planned single market for the abolition of all capital controls, and for all Community members (including Britain) to participate fully in the EMS. He also stresses that convergent policies are much more important than new institutions. "It is much more sensitive to implement what has already been decided."

He says it will be "many years" before the EC as a whole attains the economic convergence seen in the countries which now all have inflation rates of about 3 per cent - Germany, the Netherlands, France and Belgium. He confesses to be "somewhat surprised" by the views of countries like Italy or Spain. They have little in common. Mr Stringfellow, 43, is an ex-banker's boy from Sheffield whose serious concern about business news starts and the tabloid press has kept his clubs successful and enabled him to expand into New York and Miami.

Mr Ward, 41, has spent most of his business life in the City, working for such firms as Citicorp, Citibank, Morgan Grenfell, Samuel Montagu and, briefly, S.G. Warburg.

Both men share, however, a belief in the potential of the nightclub business. "I think people in the City have been a bit reluctant to recognise the implications of greater spending power among the young - and the not so young - and the financial implications that has for leisure companies," says Mr Ward.

Market research by Mintel, for example, found that going to a nightclub or disco went from the fourth most popular choice for an evening out in a survey of adults carried out last year. Two thirds of the under 25s ranked a disco first or second.

The sector is very fragmented; there are an estimated 6,000 venues in the UK, ranging from West End establishments such as Annabels and Tramp, through such middle-of-the-road clubs as Mecca Leisure's Le Palais at Hammer-smith or European Leisure's Camden Palace, to the discotheques in almost every town in Britain.

Phillips & Drew, the stockbrokers, estimate that, in round terms, such businesses have revenues of £500m a year (out of about £7m spent on all forms of entertainment outside the home). Much of the economics of nightclubs is based

Making money in a pink tutu

David Churchill explains why the London Hippodrome nightclub sold for £7m this week

At two o'clock in the morning on Tuesday, two sober-suited businessmen were served a bottle of Dom Perignon 1980 - at £58 a bottle - by a blonde waitress in a pink tutu at London's Stringfellow's nightclub.

The two men were celebrating a £7m deal which saw control of the London Hippodrome nightclub shift from Peter Stringfellow, its owner, to Michael Ward, executive chairman of European Leisure.

At first sight the two men have little in common. Mr Stringfellow, 43, is an ex-banker's boy from Sheffield whose serious concern about business news starts and the tabloid press has kept his clubs successful and enabled him to expand into New York and Miami.

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Phillips & Drew, the stockbrokers, estimate that, in round terms, such businesses have revenues of £500m a year (out of about £7m spent on all forms of entertainment outside the home). Much of the economics of nightclubs is based

on cash in hand - a fact that has attracted criminals and tarnished the business's image. "This problem has in the past tended to obscure the fact that nightclubs are a prime income-generating business with a low capital cost," says Mr Ward.

Average admission prices at European Leisure's Camden Palace, for example, range from £4 to £2 (depending on the night of the week). A mid-week evening can see 1,500 turn up, while Thursday, Friday, and Saturday nights regularly have full houses of 1,500 people.

The real money is made at the bar. Trade sources suggest that mark-ups of 60 to 70 per cent are not uncommon on a pint of lager. On this basis, bar sales at a club like Camden Palace are estimated to gross more than £25,000 in an average week. Unaudited management accounts for the Hippodrome revealed this week showed a pre-tax profit last year of £544,000.

Nightclubs are mostly cash in hand, which has attracted criminals in the past

Bob Tyrell, managing director of the Henley Centre for Forecasting - which monitors the growth of leisure markets - believes that big companies are well placed to move into the nightclub business.

"Rising consumer aspirations mean that people of all ages want something a bit better from their leisure activities, and that suits the companies which can afford to invest in a higher standard of facilities," he says. "People want to go to 'nice' clubs, and that increasingly benefits the reputable operators."

In the past, big companies - such as Grand Metropolitan, which used to own Mecca Leisure, and Trusthouse Forte - have not paid this market much attention. It has been too small-scale for them, with a questionable image.

Since its buy-out from Grand Met, however, Mecca Leisure

has decided to grow in this area. After last year's acquisition of Pleasurama, which doubled its number of clubs to 94, it is the largest nightclub operator in the UK. Last year it spent £7.5m on refurbishing 11 clubs, with more to come. "We see the nightclub sector as a major growth area, especially because it is so fragmented," says Michael Guthrie, Mecca's chief executive.

European Leisure (now with 26 clubs) has become the sector's third big player in the two years since Mr Ward took over Edenberry Shoes, an Irish shoe company, as a vehicle for his leisure expansion. The company also operates "themed" restaurants and pubs.

Perhaps the biggest problem facing the new breed of nightclub operators is keeping tight control of a business which involves the nocturnal mingling of large numbers of customers, cash, and drink.

Another potential worry is that the next decade will see fewer young people. Henley, however, believes that in spite of a 15 per cent decline in numbers of 17 to 24 year-olds by 1993, there will still be 6.5m in this group, and labour shortages will boost their spending power. The big operators are also aiming their clubs at the more numerous - and more affluent - middle market of 25 to 45 year-olds, by improving restaurant and other facilities.

UK nightclub operators are increasingly branching abroad. Michael Ward's European Leisure owns several clubs on the Continent, including Tito's Palace in Palma, Majorca. This week it acquired three more in Paris for just under £5m.

But it is Peter Stringfellow, Mr Churchill's former employer, who is leading the international charge. He plans to use the money from the Hippodrome sale - he made an estimated £5m profit on the deal - to open more clubs bearing his name in Paris and Chicago.

LETTERS

Just testing

From Mr Oliver Stanley. Sir, I criticise (FT April 29) the Finance Bill 1988 for its inexplicable attack on private investment companies. A week or so later the Government withdrew the proposed legislation, announcing that "there had been some misunderstandings of the effect of the provisions" and that "this approach has its own difficulties."

Disingenuous, to say the least. It is clear that the only misunderstandings had been by Treasury ministers. Professional practitioners had understood the effect of the legislation only too well. This is no isolated incident. Having put forward laboriously detailed clauses banning post-mortem tax planning - Deeds of Variation, which enabled executors to change the fiscal form of a will - the Government has backed down in response to pressures, dropping this clause "after many representations had been received, arguing that elderly people would suffer."

Similarly, in its new pensions legislation, the Finance Bill has contained provisions to restrict employees' contributions to their own pension scheme. This proposal (forecasted in the Chancellor's Budget speech), could have created severe problems for employees and employers alike. Again, the proposal has been withdrawn.

"Brownian pointer" to the Government responding to representations. But what it seems not to realise is the enormous amount of time and effort consumed in responding to these misconceived measures. Could the Government not revert to the system it has long claimed as a matter of policy - to put forward its proposals in the form of a white or green paper, so that interested parties can comment before any are enshrined in a Finance Bill? It is absurd to put forward a whole series of such measures, wait for the protests of informed consumers, and then back down without a word of apology - and in the form of press releases. Oliver Stanley, Nabarro Brothers, University House, Lower Grosvenor Place, SW1

Life insurers' commission war continues

From Sir Richard Powell. Sir, It seems to have escaped notice that independent financial advisers, as well as providing customers with impartial advice on the best buy for their particular purposes, also provide outlets for business for life offices which do not have their own direct sales forces or appointed representatives.

Those offices which do employ direct sales forces or

appointed representatives have been doing all they can, since the introduction of the new regulatory regime and the announced intention to end the maximum commissions agreement to induce those previously independent to accept ties. An important inducement has been the offer of higher commissions which will not have to be disclosed. Is it therefore surprising that

the offices which do not employ direct salesmen or appointed representatives have felt themselves obliged to offer the same inducements, to persuade as many advisers as possible to remain independent? Imposing further obligations to disclose commissions would certainly not reduce the intensity of a commissions war, but would increase still further the bias in favour of tying. The

only sensible way would have been to retain the maximum commissions agreement; alas, that is water over the dam.

The Securities and Investment Board's proposals on disclosure should come into effect as soon as possible. Richard Powell, Chairman, Campaign for Independent Financial Advice, 4th Floor, 28 Greville Street EC1

Phones in a free market

From Mr Gordon Aspin. Sir, Even after 10 years of Thatcherism the mobile communications industry has yet to learn the free market lesson (June 19).

Surely the Government's role should be to establish an environment in which innovation and new product development are encouraged. For too long the industry has been shielded from market pressures through licensing, which stifled new ideas and prevented the development of the innovative products common in electronics. Small wonder that the

resources of the UK mobile telephone industry are stretched, bright young graduates are attracted into more dynamic and exciting sectors. Let us grasp with enthusiasm the opportunity presented by the Department of Trade and Industry for the development of a personal communicator, and let us - in the free market - induce those who have the skills to do so to do so. Gordon Aspin, The Technology Partnership, Melbourn Science Park, Cambridge Road, Melbourn, Royston, Hertfordshire

Museum charges

From Mr G.E. Nicholas. Sir, FT writers discussing museums and galleries seem to omit the obvious arguments in favour of entrance charges. If these are such a bad thing, why are they normal practice in Spain, Italy, Greece, Austria, France and the Benelux countries? Surely these charges are inconsistent with the alleged aim to derive substantial revenues thereby? Trustees and administrators are failing the very museums for which they are responsible and making a huge contribution to the current balance of payments deficit. No one

knows how much British tourists spend on visiting Continental museums, but it cannot be far short of £20m a year. Has the time not come to reconsider - in terms of how best to impose charges rather than moaning about the possibility of being forced to do so? It should at least be possible to devise a scheme by which payers of the community charge could buy a cheap season ticket at their town hall, whereas other visitors would pay up to £5 a time. G.E. Nicholas, 606 Wilton House, Barbican Estate, EC3

Tropical timber imports could be surcharged

From Mr Geoffrey Playdell. Sir, Lucia van der Post (Weekend FT, June 17) makes statements about the tropical timber business which need to be corrected. Britain is not "a major contributor to the destruction of the rain forests."

If we stopped using tropical timber tomorrow, it would make no difference to the rate of destruction of the rain forest. More tropical wood is used by the producer countries themselves than they export to other nations around the world. Britain's imports are

estimated at only about 2 per cent of world trade. If the use of fuelwood and charcoal in tropical countries is added, the exports to Britain are even less influential. Logging does not destroy tropical forests. Only a small number of species have commercial value, and only trees above a certain size are worth extracting. Logging is controlled. Residual forest after logging, if left alone, will recover. The picture is different where forest is removed for agriculture, when complete clearance

takes place and prospects of recovery are almost nil. Lucia van der Post recommends that readers do not buy teak, iroko and mahogany. It is the trade view that such sanctions provide no positive help to developing countries. An indiscriminate ban does not help those with poor resources to put things right. The British timber trade is taking a more positive line, and seeks international acceptance for a surcharge to be raised on all tropical timber imports, which could be

"played back" into improving tropical forest management. The proposal is being considered at the highest governmental levels, and is supported by trade associations in the European Community.

If accepted, it would mean that every time someone buys a product containing tropical wood they would know that part of the cost was going to help save rain forests. Geoffrey Playdell, The Timber Trade Federation, Chancery House, 26-27 Abchurch Lane, SW1

Pray tell me, sir, whose dog are you?

From Mr R. Adler. Sir, It seems indisputable that the existing arrangements for dog ownership and control are inadequate. A reasonably simple solution, analogous to car insurance in its purpose and application, would be compulsory dog insurance. Just as all car owners are compelled by law to have third party insurance covering any damage (including death or bodily harm) their vehicles

may cause, so existing and prospective dog owners could be made to consider seriously whether they really want a dog and if so, what kind of dog. The picture is different where forest is removed for agriculture, when complete clearance

may cause, so existing and prospective dog owners could be made to consider seriously whether they really want a dog and if so, what kind of dog. The picture is different where forest is removed for agriculture, when complete clearance

ment for irresponsible or criminal behaviour. By these means the Royal Society for the Prevention of Cruelty to Animals would effectively achieve its aim of compulsory registration which, by itself, would not provide a solution to the problems attached to dog ownership and control. R. Adler, Penkese, 36 Sutton Road West, Disley, Cheshire

Table with columns: Product, Applied rate, Net CAR, Interest paid, Maturity, Access and other details. Contains various investment terms and conditions.

UK COMPANY NEWS

Gateway bid in balance as US offer rises to £2.15bn

WASSERSTEIN PERELLA, the US corporate finance boutique, has made a bid for Gateway...

Exceptional charge takes toll on Berisford

BERISFORD International, the sugar processing, commodities and property group...

Restructure for Pentland valued at £329m

PENTLAND INDUSTRIES, the consumer products group most famous for its 32 per cent stake in the Reebok sports shoe company...

CWF reverses into A&M

MR ANDREW GREYSTOKE'S City and Westminster Financial is obtaining a USM quote via the reverse takeover of A&M...

Puff ran out when Reebok hit the wall

EVEN in the stormy world of the stock market, where companies' fortunes wax and wane with alarming regularity...

US buy for ASH worth \$105m

AUTOMATED SECURITY (Holdings) yesterday ended its 10-year search for a big acquisition in the US...

Greene King on target at near £20m

GREENE KING, the Abbot ale brewer in which Elders IX, the Australian group has a 13 per cent stake...

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date of payment, Corres. dividend, Total for year, Total last year.

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Latest, 1989, Stock, Dividend, etc.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest, 1989, Stock, Dividend, etc.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Latest, 1989, Stock, Dividend, etc.

TRADITIONAL OPTIONS

Table with columns: First Dealings, Last Dealings, Last Declarations, For Settlement.

Restructure costs hit I&S profit

IVORY & SIME, the Edinburgh-based fund management company, reported lower turnover and reduced profits for the year to April 30 1989...

Abbey price doubts

Expectations of a large premium when shares begin trading in Abbey National declined yesterday...

DTI to investigate affairs at Milford Docks

The Department of Trade and Industry yesterday announced an inspector to investigate Milford Docks Company...

Reed Executive drops 14% to £9.05m

REED EXECUTIVE, the employment agency, yesterday announced that profits had slipped by 14 per cent from £10.54m to £9.05m...

Gold Fields and Hanson talks continue

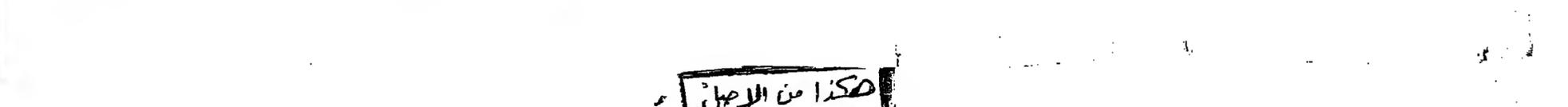
IN the wake of the Hanson bid, however, the scheme has become something of a side-show...

Reed Executive drops 14% to £9.05m

By transport strikes, particularly hitting temporary business in Central London...

Agnew called for a poll on the motion

He said that the board, after talking to institutions, had decided that it was fairer not to seek to influence shareholders...



Handwritten notes and stamps in the top right corner.

FINANCIAL TIMES SATURDAY JULY 1 1989

BANK RETURN

Table showing banking department performance with columns for liabilities, assets, and issue department.

EUROPEAN OPTIONS EXCHANGE

Table of European options exchange data with columns for series, date, and volume.

Table of European options exchange data with columns for series, date, and volume.

TOTAL VOLUME IN CONTRACTS: 25,203

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Table of base lending rates for various banks and currencies.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Large table of FT-Actuaries Share Indices with columns for equity groups, sub-sections, and share indices.

FIXED INTEREST

Table of fixed interest rates and yields for various instruments.

Table of fixed interest rates and yields for various instruments.

ECONOMIC DIARY

Today France takes over the European Community presidency. Mr Francois Mitterand, French President, holds meeting with European Commission to discuss strategy.

ers annual conference in Scarborough (until July 7). TUESDAY: UK official reserves (June). Housing starts and completions (May). Capital issues and miniatures meet in Vienna to speed up equality between women and men (until July 5).

Advertisement for Nationwide Anglia £300,000,000 Floating Rate Notes Due 1996.

WEDNESDAY: National rail strike and London Underground strike. British Rail annual results. Overseas travel and tourism (April). Advance energy statistics (May). Detailed analysis of employment, unemployment, earnings, prices and other indicators. US FOMC meeting begins. Mrs Benazir Bhutto, Pakistan's prime minister, on visit to London (until July 12). Sentencing of former White House aide Oliver North, convicted in Iran arms scandal. THURSDAY: President Garbachev to address Council of Europe in Strasbourg. Annual results of 10 water and sewerage businesses. Central American presidential summit in Tegucigalpa. European convention on nuclear disarmament in Vitoria, Spain. Herods sale starts. FRIDAY: Finished steel consumption and stock changes (first quarter-final). US employment figures (June). Preliminary hearing of the Guinness case at Southwark Crown Court. Result of ballot on threatened national docks strike due. Warsaw Pact summit in Bucharest (until July 8).

RETAILING

The Financial Times proposes to publish this survey on:

12th September 1989

For a full editorial synopsis and advertisement details, please contact:

Jonathan Wallis on 01-873 3565

or write to him at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES

PAN HOLDING SA LUXEMBOURG

Notice is hereby given that Pan Holding S.A. has declared a dividend of US\$7.75 per share of \$100 for the year 1988 payable on 3 July 1989.

The dividend will be payable against coupon no. 84 from the share of Pan Holding S.A. which may be presented to the Registrar of Companies, UK Share/Trust Department, Ground Floor, Southwark House, 100 Southwark Street, London SE1 1SU, for payment of the rate of exchange current on the date of payment.

Income tax of 20% will be deducted unless the coupons are accompanied by an Italian Revenue Affidavit.

Because of falling dividends a very rare & exclusive opportunity offering: Genuine aged old Hils of 1 & 2.

(Medicines country) being indistinguishable by each unit first male descendant. Discretion & secrecy required.

Write: Box A1284, Financial Times, One Southwark Bridge, London SE1 9HL.

EXTRACT FROM THE CHAIRMAN'S STATEMENT

"The difficult trading conditions in the UK securities industry have been well publicised and Smith New Court has been affected along with other UK securities houses by the low volumes and tight margins which have prevailed throughout the year just ended. Most of the pre-tax loss of £12,579,000 was incurred in the months of November and December 1988, during which trading conditions, and in particular competition on the UK and international market-making sides were exceptionally severe.

During the course of last year, the Company made considerable progress in the expansion of many of its more recently established businesses. Of particular note was the substantial growth in the market share of the UK institutional stockbroking division, which is now one of the leading UK stockbroking businesses. Much progress was also made on the European and Far Eastern stockbroking sides and in corporate finance. UK and international market-making has succeeded not only in maintaining, but increasing their market share over the period.

Since the beginning of the calendar year, the results have shown a significant improvement with a return to net profitability."

AJ LEWIS CHAIRMAN

PRELIMINARY STATEMENT OF THE CONSOLIDATED UNAUDITED RESULTS FOR THE YEAR ENDED 5th MAY 1989

Table of consolidated financial results for 1989 and 1988.

Note: The extraordinary item represents a provision against the cost of the Group's investment in National Investment Holdings PLC.

SMITH NEW COURT PLC

London · New York · Los Angeles · Chicago · Tokyo · Hong Kong · Singapore · Sydney · Melbourne

Copies of Annual Report & Accounts when published can be obtained from the Joint Secretaries, Smith New Court PLC, Chancery House, 24 St. Swinburn Lane, London EC4N 8AE.

AVESCO plc

(Incorporated and registered in England No. 1788363)

NOTICE TO HOLDERS OF BEARER SHARE WARRANTS OF RIGHTS ISSUE, EXTRAORDINARY GENERAL MEETING AND ANNUAL GENERAL MEETING

Avesco plc (the "Company") has on 30th June, 1989 posted to its registered shareholders and Subscription Warrant-holders a circular (the "Circular") giving, inter alia, details of a rights issue of 11,711,990 new Ordinary Shares of 1p each at 125p per share (the "Rights Issue").

If holders of Bearer Share Warrants wish to subscribe for their entitlement to new Ordinary Shares under the terms of the Rights Issue, they must claim their Provisional Allotment Letters from either the registered office of the Company or from the offices of Kempen & Co. NV, by presenting dividend coupon no. 8 together with particulars of their name and address.

If holders of Bearer Share Warrants either fail to claim their Provisional Allotment Letters or to make payment for the new Ordinary Shares by 3.00 pm on 24th July, 1989, the provisional allotment will be deemed to have been declined and will lapse.

New Ordinary Shares which are not taken up will be dealt with in accordance with the procedure set out in the Circular.

Set out below is the Notice of the Annual General Meeting included with the Annual Report and Accounts which accompanies the Circular and the Notice of Extraordinary General Meeting contained in the Circular.

Important notice to Holders of Bearer Share Warrants: You will not be entitled to attend or vote at either the Annual General Meeting and/or the Extraordinary General Meeting unless you have either the Bearer Share Warrant and a completed and signed form and address as set out below on or before Friday 21st July, 1989 at the offices of Kempen & Co. NV, or Charterhouse Tilley as set out below. The Bearer Share Warrant will be required to remain so deposited until after the meeting(s) and any adjournment(s) thereof shall have been held.

Copies of the Annual Report and Accounts for the year ended 31st March, 1989, the Circular and Forms of Proxy for use at the two general meetings are available from the registered office of the Company or from the offices of Kempen & Co. NV, or Charterhouse Tilley details of which are set out below:

Kempen & Co. NV, Heterengracht 162, P.O. Box 11365, 1001 GJ Amsterdam

Charterhouse Tilley, 1 Paternoster Row, St. Paul, London EC4M 7DH

By Order of the Board N. S. CONN Secretary

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of Avesco plc will be held at Venture House, Davis Road, Chessington, Surrey on Thursday the 27th day of July 1989 at 11.00 a.m. for the following purposes:

Ordinary Business: 1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31st March 1989, together with the Report of the Auditors. 2. To declare a final dividend of 1.125p per share on the Ordinary Shares of the Company for the year ended 31st March 1989.

Special Business: 1. To consider and, if thought fit to pass the following Resolutions, of which Resolution numbered 5 will be proposed as an Ordinary Resolution and Resolution numbered 6 as a Special Resolution: 5. THAT (A) the authorised capital of the Company be increased from £682,880 to £1,000,000 by the creation of 11,711,990 additional Ordinary Shares of 1p each to rank pari passu in all respects with the existing Ordinary Shares of 1p each in the capital of the Company.

(B) the directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £505,616 provided that this authority shall expire on the date of the next Annual General Meeting of the Company save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

6. THAT, subject to the passing of Resolution numbered 5 by the directors of the Company, in substitution for all authority previously conferred upon them (save to the extent that the same may have already been exercised) they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of that Act) as if Section 99(1) of that Act did not apply to any such allotment, provided that this power shall be limited: (A) to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders and other persons entitled to participate therein, where the equity securities attributable to the interests of all Ordinary shareholders and such other persons' holdings are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them or in respect of which they are entitled to participate in such an issue, subject to such exclusions or arrangements in relation to fractional entitlements or the laws of any territory or any regulatory bodies to the directors shall deem necessary; (B) to the allotment (otherwise than pursuant to paragraph (A)) of equity securities up to an aggregate nominal amount of £68,720, and shall expire at the end of the next Annual General Meeting of the Company save to the extent that the same is renewed or extended on or before that date.

TO TRANSACT ANY OTHER BUSINESS BY ORDER OF THE BOARD Nicholas Conn Secretary 25th June, 1989

NOTICE OF EXTRAORDINARY GENERAL MEETING NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at Venture House, Davis Road, Chessington, Surrey KT9 1TT on 27th July, 1989 at 11.10 a.m. (or so soon thereafter as the Separate Meeting of the holders of the Convertible Preference Shares convened for the same date shall have been concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed in the case of Resolution No. 1 as an Ordinary Resolution and in the case of Resolution No. 2 as a Special Resolution:

Ordinary Resolution: 1. THAT the acquisition by the Company of the entire issued ordinary share capital of Porefront Technology Limited on the terms and conditions contained in the agreement dated 27th June, 1989 referred to in the circular to shareholders of the Company dated 30th June, 1989 is approved and that the Directors be and they are authorised to do all such things as may be necessary or appropriate to carry such agreement into effect and, at their discretion, to amend, vary and/or extend any of the terms and conditions of such agreement and/or of any other document referred to in or connected with such agreement in whatever way they may consider to be necessary and/or desirable.

Special Resolution: 2. THAT subject to the holders of Convertible Participating Convertible Redeemable Preference Shares 1987 of 1p each passing the extraordinary resolution set out in a Notice of Separate Meeting of such holders convened for 27th July, 1989 the amount standing to the credit of the share premium account of the Company be reduced by £21,189,905.

By Order of the Board N. S. CONN Secretary 25th June, 1989

INTERNATIONAL COMPANIES AND FINANCE

Shell, Elf and Agip buy \$2bn Nigerian oil stakes

By Mr Wilkinson in London and Paul Betts in Paris
ROYAL DUTCH/SHELL and two other international oil companies have agreed about \$2bn of Nigerian oil stakes...

Time chiefs re-elected to fight off Paramount

By Frederick Oram in New York

THE THREE top executives of Time Inc were re-elected to the media group's board at yesterday's annual meeting...

Fiat holders approve buy-back

By John Wyles in Turin

SHAREHOLDERS in Italy's Fiat Group yesterday approved a management plan to spend L1,000bn (\$700m) on buying in the company's shares...

"If and insofar that it is advantageous for the company through sales on Italian and international markets...



Gianni Agnelli: an act of faith in oneself

1,800bn, and a further L1,500bn will come from the consolidation of financial services businesses. As in the past, Mr Agnelli was called on at his press conference to comment on everything from Mr Gorbachev's perestroika to the fate of the Juventus football team...

Record A\$1bn profits at BHP

By Our Financial Staff

BROKEN HILL Proprietary, Australia's largest resources company, reported record net profits of A\$1.01bn (US\$730m) for the year to the end of May...

Minerals was the surprise, overcoming industrial and production problems at the Mount Newman iron mine...

dollars, but 53 per cent of BHP's sales are also denominated in, or linked to, US dollars...

Gardini seeks state assurances

By John Wyles

MR RAUL GARDINI, president of Italy's Ferruzzi group, last night sought confirmation that the Italian Government would not try to alter the record establishing the Enimont agreement...

whether it should be altered to guarantee that Eni will remain on equal shareholding terms with Montedison in Enimont...

to Rome in the afternoon for a meeting with the caretaker Prime Minister, Mr Ciriaco De Mita and his deputy, Mr Gianni De Michelis...

Court move reduces LIN bid defence

By Roderick Oram

LIN Broadcasting has lost an important court battle, making it more vulnerable to the \$5.5bn takeover offer from McCaw Cellular Communications...

L.F. Rothschild Holdings files for protection

By Our Financial Staff

L.F. ROTHSCHILD Holdings, the Wall Street securities firm taken over last year by Franklin Savings Association, the Kansas thrift institution, has filed a petition for reorganisation under Chapter 11 of the federal bankruptcy code...

Bond appeals against TV tribunal's ruling

By Our Financial Staff

MR ALAN BOND, one of Australia's best known businessmen, has appealed against the Australian Broadcasting Tribunal's ruling that he is not fit to hold radio and television broadcast licences...

Federal Court has been asked to set aside the decision. The tribunal's ruling was made public on Monday. It has not yet decided on any penalties, but could revoke Mr Bond's nationwide broadcasting licence...

Strong start for Tokyo futures market

By John Wyles

THE TOKYO International Financial Futures Exchange (Tiffe) got away to a strong start yesterday with what traders described as healthy participation by major banks...

contract, where turnover priced 31,440 contracts or \$31.4 million...

Price movement was almost exactly the same as the Euro-dollar contract on Singapore's Simex exchange, leaving only limited chances for arbitrage, traders said.

The legal action began three years ago when Metromedia, LIN's partner, sold most of its cellular and all its paging business to Southwestern Bell...

WORLD COMMODITIES PRICES

Table with columns: WEERLY PRICE CHANGES, COCA Cola, SPOT MARKETS, COFFEE, RUBBER, SUGAR, etc. Includes sub-tables for Gold, Silver, Copper, etc.

Table with columns: LONDON METAL EXCHANGE, POTASSIUM Chloride, SOYABEAN MEAL, LONDON FINEST COTTON, etc.

Table with columns: US MARKETS, COPPER 25,000 lbs, COCA 10 tonnes, COFFEE C, SUGAR WORLD, etc.

Table with columns: Chicago, SOYABEAN 5,000 lb, SOYABEAN MEAL, WHEAT, etc.

WORLD STOCK MARKETS

Japan's weakness and the dollar's strength exert influence over funds

IT HAS been a good first half year for Australian industrial stocks and Norwegian financials. Interesting, but hardly significant in terms of global performance. Portfolio managers worldwide will be only too well aware that the factors dominating performance so far this year are the relative weakness of the Japanese market and the strength of the US dollar.

Viewed through the eyes of the dollar investor, world markets in aggregate - as measured by the FT-A World Index - have gained a meagre 1.9 per cent. In contrast, the starting index for the year was 100.00. In aggregate, world markets in aggregate gained 8.5 per cent and the World ex Japan gain 29.2 per cent.

Those clever UK fund managers who switched out of Japan into dollar assets at the start of the year must be feeling exceptionally pleased with themselves. Unfortunately they are probably few and far between. All the evidence sug-

gests that net investment funds flowed the other way. Certainly, there was a significant net flow into Japan and out of the US by UK pension funds in the first half of 1989.

International portfolios should nevertheless have per-

Adrian FitzGerald examines what the world's portfolio managers have been doing with their money this year

formed well this year, particularly in relation to international benchmarks. WM Company figures show that UK-based pension funds are well underweight in Japan and in line with the FT-A benchmark in the US. The difference is mainly made up in Contin-

ental Europe where the pension funds hold substantially overweight positions. This typical portfolio mix should have produced better than benchmark returns, given the broad market and currency factors at work in the first half.

Leaving aside currency factors and concentrating on local currency performances, it is clear that the upward trend experienced worldwide in 1988 has continued into 1989. All markets made further progress in the first half, with the exception of Hong Kong.

Indeed, most markets are now close to, or have already overtaken, their pre-crash levels. The main exceptions are to be found in the Pacific Basin where Australia, New Zealand and Hong Kong still lag behind their pre-crash levels by 23.5 per cent, 41.7 per cent and 38.0 per cent respectively (as at the close on June 30).

In Europe, the UK has to find another 4.5 per cent, while Switzerland has 20.2 per cent

to make up - a very different performance from local Swiss indices which include securities available only to domestic investors and which have risen much faster. Leading performance rankings this year are Mexico (76.2 per cent), Norway (61.4 per cent) and Austria (37.7 per cent). Laggards include Hong Kong (-17.1 per cent), Australia (2.5 per cent) and Japan (3.7 per cent). The US rose a creditable 17.4 per cent; the UK 21.7 per cent.

Digging even deeper into local currency performance throws up more interesting contrasts. The divergence in sector performance within leading markets suggests that international portfolios may well be displaying a high degree of variation even after differences in market distribution are taken into account.

In Japan, for example, the Financials have fallen by 4.1 per cent so far this year, while

UK PENSION FUND OVERSEAS DISTRIBUTION

(END 1988)	WM Universe (%)	FT-A World ex UK (%)	1988 Net Investment (Em)
USA	33	33	-446
Japan	30	48	907
Continental Europe	26	12	7316
Other	11	6	16

Source: The WM Company

the Capital Goods sector has gained 20.9 per cent. Any investor avoiding the Financials should have been able to pick up over 2 percentage points in that market, bearing in mind that the Financials comprised 34 per cent of the Japanese market at the end of 1988.

In the US, however, sector performances show the reverse pattern. The Financials have performed best, with a gain of 36.5 per cent. The US investor should have stayed at home. While some of the minor markets would have provided relatively good returns, the World ex US showed a loss in dollar terms of 4.6 per cent. A poor showing

different, depending on the home base. The UK investor will have earned good returns from all regions except the Pacific Basin. The UK market itself performed well; the World ex UK, expressed in sterling terms, gained 18.2 per cent. The US was the best of the major overseas markets, a good performance combining with currency benefits to give a starting gain of 36.5 per cent.

The US investor should have stayed at home. While some of the minor markets would have provided relatively good returns, the World ex US showed a loss in dollar terms of 4.6 per cent. A poor showing

compared with a domestic market gain of 17.4 per cent. And what about Japanese investors? Surely they must now be looking enviously at the potential outside their domestic markets? The World ex Japan provided a gain of 29.9 per cent in yen terms compared with the local market gain of only 3.7 per cent.

But investors who assume that this underperformance in Japan must have brought benchmark weights more into line with their actual portfolios would be deceiving themselves. Japan still forms 41.3 per cent of the FT-A World Indices universe, down from 43.8 per cent at the start of the year. The US has clawed its way back to 33.2 per cent from a start level of 29.6 per cent.

If the rest of the world moves broadly in line, it would, in fact, take a further underperformance of approximately 20 per cent for Japan and the US to reach a comparable size again.

What do UK or US-based investors do now? Move to overseas benchmark weights and lock in the out-performance achieved in the first half? Or stick with an active decision to deviate from the benchmark?

Current evidence suggests that they are doing the latter. The WM sample shows that the UK pension funds are putting their big bets on Continental Europe in spite of being heavily overweight already.

If Japan continues to underperform and, better still, if Continental Europe outperforms in the second half, it will be the first time since 1983 that their international assets have outperformed the benchmark. There are already signs that they are, quite rightly, making the most of it. But it's curious: last year they were clamouring to be measured against their peer groups.

The author is Director of Quantitative Research at County NatWest WoodMac.

AMERICA

Programme trading knocks Dow

Wall Street

FUTURES-RELATED programme trading, along with intermittent bouts of institutional profit-taking, sent Wall Street into ragged retreat yesterday morning in spite of further big gains in the bond market, writes *Annalee Kalesky in New York*.

The day started on a dismal note as specialists, expecting at least a mechanical rebound after the market's big losses on Thursday, found themselves instantly overwhelmed by futures-related sell orders. The Dow Jones Industrial Average, which opened higher and better than on Thursday, lost 15 minutes of trading, plunged headlong into bearish territory.

By 10 am, the Dow was down by 20 points, extending the 96-point loss sustained in the previous two days. The market's big fall encouraged further

rounds of programme trades, as well as selective profit-taking by long-term investors. The market fell a further 20 points by mid-morning, but found buying support around the 2,420 level on the Dow.

By 1:30 pm the Dow was 26.68 down from 2,437.53. Trading volume was only moderate, with 112m shares changing hands, but for the third day running declining shares overwhelmed advancing issues by about five to one.

Analysts disagreed about the fundamental explanations of the market's sudden fall. Some noted that fears of recession had gained the upper hand over concerns about inflation in the past few weeks, leading investors to dump their cyclically-sensitive stocks. Other analysts pointed out, however, that oil stocks had been the strongest performers in the past few days, suggesting that concerns about inflation could

easily re-emerge.

What most agreed on was that the market had fallen through a key technical support level at 2,480 on the Dow on Thursday which had set off heavy stop-loss selling in the Chicago futures markets.

The stock market's fall came despite another strong showing in the bond market, where prices rose by as much as 4/8 points at the long end. The Treasury's benchmark long bond was up 25.32 at 109 1/2, a price at which it yielded 8.03 per cent, a new two-year low. The dollar was steady against the yen, but lost a little ground against the D-Mark in thin trading in the Independence Day holiday.

For the third day running, the blue chip stocks which had led the market up were among the worst hit issues. General Electric declined by 3/4 to \$32, Coca-Cola fell by 1/4 to \$55, and AT&T gave up 3/4 to

\$34. MCI was an even bigger loser, leading the Nasdaq list in terms of volume and falling by 1/2 to \$35 1/2.

Among the special situations, Paramount Communications fell by 1/4 while Warner and Time were little changed. LIN Broadcasting plunged 5/8 to \$11 1/2 after losing its lawsuit against Metromedia. Other broadcasting and entertainment stocks were also hit, with Tele-Communications down \$1 at \$24 and Vestron, an independent film producer which announced big cutbacks on Thursday, plunging \$1 to \$3 1/2.

ASIA PACIFIC

Investors adopt wait-and-see stance

Tokyo

POLITICAL uncertainty in the face of a forthcoming election induced a wait-and-see mood in investors, causing the Tokyo market to ease in light trading yesterday, writes *Yuriko Miya in Tokyo*.

Share prices opened lower in morning trading as investors reacted to the yen's decline. Heavy buying by investment trusts lifted share prices several points, but could not overcome the market's decline.

In the afternoon, the market fell further, before finding some strength near the close thanks to more buying by investment trusts. The Nikkei average closed only 7.62 lower at 32,948.69, for a 1.7 per cent decline over the week. There was a narrow spread between the high of 32,949.26 and the low of 32,942.20.

In the bearish market, advances numbered only 364 while 521 issues declined and 182 stocks were unchanged.

The Topix index of all-listed shares lost 4.51 to 2,449.88 and the ISE/Nikkei 50 shed 8.9 to 1,935.57 in London. Tokyo volume was low again, with only 423m shares traded.

With the Tokyo Metropolitan Assembly election coming up tomorrow, many investors elected to stay on the sidelines, but did so only after liquidating their positions. According to one analyst, the election results should not affect the market significantly.

The lagging yen also contributed to the market's weak performance. Even though the Bank of Japan intervened in currency markets, the dollar managed to maintain its strength against the yen.

The announcement of interest rate increases in West Germany and other European countries also induced some uncertainty in investors.

With falling stock prices, a decline in trading volume and a reduced rate of margin use, the Tokyo Stock Exchange eased the minimum margin requirements on all issues in the hope of bringing the market around. However, the policy failed to alter the bearish sentiment.

There was some interest for high-priced, small-capital issues, as investors bought in the hope of quick profits. Pharmaceuticals were chosen, in particular, with Yamanouchi Pharmaceutical climbing 90

to Y3,880.

After being neglected in morning trading, large-capital issues Toshiba, Nippon Steel and Kawasaki Steel picked up interest and were the first three most actively traded issues. Brokerage firms were encouraging purchases of these issues in anticipation of future strength.

Toshiba was steady at Y1,350, with a volume of 9.05m shares. Nippon Steel went down Y1 to Y800, with 8.73m shares changing hands; in morning trading, the issue price had dropped due to heavy unloading set off by fears of a rise in Japan's official discount rate and an increase in Western European key rates. Kawasaki Steel rose Y10 to Y900, with 7.89m shares changing hands.

In Osaka, the OSE average dropped 201.97 to 32,178.90, with 40m shares trading hands.

The Straits Times industrial index fell 7.62 to 1,307.47, taking its weekly rise to 1.3 per cent, in active turnover, boosted by several block deals, of 177m shares.

The overnight fall on Wall Street and opening losses in Tokyo and Hong Kong also contributed to early declines in Singapore.

Properties were actively traded, with Selangor Properties off 5 cents at S\$1.85 after a block of 50m shares was traded at S\$1.86, taking its turnover for the day to S\$2.3m.

AUSTRALIA declined in response to Wall Street's losses overnight, but options-related trading lifted share prices off their lows.

The All Ordinaries index lost 3.6 to 1,521.1 after falling to 1,514.8 earlier. Its weekly gain was 0.7 per cent. Turnover was 210m shares worth A\$425m.

HONG KONG oscillated in a narrow range throughout the day before closing barely changed, with the Hang Seng index off 1.41 at 2,273.91, making a rise for the week of 2.5 per cent.

SEOUL fell for a ninth consecutive session amid political uncertainty, with the composite index losing 10 to 854.61.

EUROPE

Falls prove widespread but limited

STEEP losses on Wall Street depressed share prices in Europe although most bourses showed resilience, writes *Dan Matthews Staff*.

FRANKFURT retreated under the double blow of Wall Street's setback and the previous day's Bundesbank interest rate rises. Some observers, however, felt the decline was not as steep as it might have been and that sentiment was fairly good in morning trading.

The DAX index dropped 0.21, or 1.2 per cent, to 1,478.71. The midweek FAZ index lost 5.44 to 613.00 - a fall of 0.9 per cent on the day and 1 per cent on the week. Shares continued to fall in the afternoon as Wall Street added to its overnight losses. Turnover was lower than on Thursday but still fairly active at DM5.5bn.

BASF, the second most active stock, fell DM18.70 to DM292.60, after going ex a DM12 dividend, as investors digested information from Thursday's annual general meeting. The company had made "a not thrillingly bullish statement, containing a couple of notes of caution, but it contained more good news than bad," said one analyst.

Profit-taking in the steel sector continued, with Joseph off DM13 or 5.3 per cent, at DM25. VW, the most active issue, rose DM2.50 to DM45 against the trend. It denied a report that it planned to raise its dividend and pay a DM1

bonus.

PARIS finished mixed, with Wall Street's sharp losses on Thursday and in early trading yesterday depressing prices, while technical buying before the expiry of the CAC 40 futures contract provided some support.

Analysts commented that the market was showing resilience in the face of the sharply higher May trade deficit, the round of European interest rate rises and the nervousness in New York.

"There's an underlying feeling of optimism," said one analyst. "People don't expect the market to go too low... A lot of people are saying you should be buying call options and that indicates quite a positive attitude."

The OMF 50 index closed 0.48 higher at 493.34, a loss of 1.9 per cent on the week, while the CAC 40 index was off 4.13 at 1,727.98. The opening CAC General index lost 5.37 to 476.10. Turnover was said to be similar to Thursday's FF1.9m.

Construction stock Bouygues featured with a FF19 rise to FF679. There was speculation that Italian entrepreneur Mr Silvio Berlusconi might be

stake-building, possibly to persuade the group to give him a greater holding in the television company TFI, in which Bouygues has a majority.

MILAN eased in moderate trading. The main news was shareholders' approval of Fiat's plan to buy back 60m ordinary shares at a maximum L16,000 a share as well as 40m preference and savings shares. Fiat ordinary stock lost L79 to L10,020 before rising to L10,980 after the close.

Montedison gained L13 to L2,238. Mr Raul Gardini, president, was meeting the Government yesterday to ensure that the Enimont joint venture between Montedison and Eni, the state holding company, was going ahead as planned.

The Comit index slipped 0.97 to 649.44 - a slight rise over the previous Friday - in volume of about L250m.

ZURICH refused to be too down-hearted after the interest rate rises and Wall Street falls, finishing weaker but above its lowest level. The Credit Suisse index ended 1.8 to 608.7, little changed over the week.

Adia, business services company, rose SF7100 to SF78,575. It said it planned to sell its Munich-based sports goods subsidiary.

AMSTERDAM was quiet, also depressed by Wall Street's sharp falls, while professional selling at the month-end contributed to losses. The CIBS tendency index was off 0.5 at 167.3 for a fall of 2.5 per cent since

last Friday's close. Volume was restrained at Fl 750m.

KLM was down Fl 1.10 at Fl 49.50. The airline said it had finalised its purchase of a 40 per cent stake in Transavia, the charter airline wholly owned by Nedlloyd, in order to force the hand of the European Commission, which must rule on the deal.

MADRID closed lower, ending little changed over the week, as losses in New York and Tokyo and worries about higher interest rates kept trading subdued. The general index shed 2.36 to 309.68.

Expectations the Government would approve a rise in petrol prices weighed on the market. Oil group Repsol fell 11.25 percentage points to 433 per cent of par after a sharp rise on Thursday.

BRUSSELS remained depressed, with the cash market index down 12.75 at 6,093.25, virtually unchanged over the week.

Intensifying speculation about stake-building in Raffinerie Trielmontoise, the foods and sugar refining group, stimulated heavy turnover of 30,000 shares. On the cash market it closed off BF10 at BF12,065.

STOCKHOLM encountered pre-bidding. Instansco concentrated on Proventus, the investment company, which said it had sold a 7 per cent stake in Skandia, the insurer. Proventus free Bs rose SKR1 to SKR2, while Skandia gained SKR7 to SKR237.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JUNE 29 1989					WEDNESDAY JUNE 28 1989					DOLLAR INDEX	
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1989 Low	Year ago (approx)	
Figures in parentheses show number of stocks per grouping												
Australia (84)	129.92	+0.4	126.96	116.87	+0.4	6.09	131.45	125.26	115.41	127.12	128.28	
Austria (19)	121.10	+1.2	113.64	122.19	+0.1	2.21	119.67	114.02	122.05	124.16	122.04	
Belgium (29)	123.63	+0.1	125.90	120.18	-0.3	4.49	131.82	122.26	130.53	137.10	125.58	
Canada (23)	123.87	+0.8	135.57	121.08	-0.7	3.30	140.69	134.05	127.89	141.20	124.67	
Denmark (23)	200.75	+1.8	191.71	203.78	+0.8	1.63	197.29	187.96	205.14	200.75	165.35	
Finland (23)	141.25	+1.2	134.89	128.86	+0.6	1.62	138.51	132.48	128.95	129.79	125.32	
France (126)	119.05	+0.5	113.69	122.04	+1.0	0.06	119.51	114.43	125.28	122.78	112.57	
West Germany (100)	94.17	+0.4	88.93	94.23	+1.4	5.69	92.90	88.51	92.96	140.33	88.41	
Hong Kong (49)	133.73	-0.2	127.71	138.25	-0.2	3.05	134.00	127.67	138.95	151.38	125.00	
Italy (97)	84.39	+0.5	78.16	156.20	-0.7	0.51	173.89	165.89	158.91	200.11	164.22	
Japan (455)	122.04	+1.2	117.40	180.13	+1.1	2.52	180.74	172.22	182.12	185.03	143.35	
Malaysia (15)	280.66	+0.5	249.92	709.62	-0.5	0.71	281.98	249.62	713.21	271.98	153.32	
Mexico (18)	171.92	+0.1	158.23	122.14	+1.5	4.31	122.55	74.85	121.76	122.22	110.83	
Netherlands (42)	119.51	-0.9	114.73	121.35	-0.2	8.06	68.48	63.34	61.38	75.02	62.84	
New Zealand (24)	78.77	-0.9	170.72	173.13	-1.1	1.48	180.49	171.98	175.09	198.39	139.92	
Norway (29)	160.86	+0.2	158.62	145.18	+0.2	1.81	160.69	163.01	144.90	161.98	124.57	
Singapore (26)	152.62	+0.8	145.75	132.85	+0.5	4.04	131.35	144.21	121.84	132.62	135.35	
South Africa (30)	149.18	+0.2	158.36	162.78	-0.5	2.11	165.15	158.31	163.57	168.15	138.45	
Spain (48)	88.35	+1.2	76.90	63.77	+0.5	2.29	79.89	75.94	83.35	81.29	67.91	
Sweden (30)	115.81	+0.8	108.23	122.14	+1.1	2.09	142.26	135.68	133.89	148.04	136.88	
Switzerland (57)	80.53	-1.2	76.90	63.77	+0.5	2.29	79.89	75.94	83.35	81.29	67.91	
United Kingdom (314)	130.36	-1.9	124.49	130.36	-1.9	3.44	132.80	128.85	132.90	133.83	112.13	
USA (555)	130.36	-1.9	124.49	130.36	-1.9	3.44	132.80	128.85	132.90	133.83	112.13	
Europe (1005)	118.26	-0.5	112.95	116.91	-0.7	3.51	118.67	113.26	117.71	121.70	112.89	
Nordic (123)	162.28	+0.2	158.62	145.18	+0.2	1.81	160.69	163.01	144.90	161.98	124.57	
Pacific Basin (674)	127.82	-1.1	126.97	128.05	-0.6	0.75	129.32	121.93	135.02	134.72	120.44	
Euro Pacific (1675)	147.81	-0.9	141.25	137.50	-0.7	1.85	149.23	142.19	138.85	144.22	141.56	
North America (878)	130.94	-1.8	124.85	123.90	-1.8	3.44	125.27	128.69	132.22	134.17	119.79	
Europe ex UK (697)	104.65	+0.6	110.12	105.27	+0.8	4.94	114.56	109.17	104.60	137.65	111.33	
Pacific Ex UK (679)	115.81	+0.8	104.65	105.27	+0.8	4.94	114.56	109.17	104.60	137.65	111.33	
World Ex US (2116)	140.85	-1.2	134.15	135.07	-1.1	2.20	142.22	135.51	138.54	146.65	135.67	
World Ex. So. Af. (2370)	125.83	-1.2	120.16	124.51	-1.1	3.52	127.41	121.40	128.16	128.01	114.51	
World Ex. Japan (1079)	140.55	-1.2	134.22	135.05	-1.1	2.90	142.27	135.55	136.50	146.51	136.68	
The World Index (2430)	140.55	-1.2	134.22	135.05	-1.1	2.90	142.27	135.55	136.50	146.51	136.68	

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LONDON STOCK EXCHANGE

Gloomy close to Account in equities

THE UK stock market looked a sorry place yesterday as concerns over recessionary pressures in the US were joined by a renewed slide in the pound and new and stronger hints of impending redundancies in the London brokerage community.

Account Opening Dates table with columns for Date, Open, High, Low, Close.

It was Wall Street's continued setback which provided the chief downward impetus in London. City analysts remained fairly sanguine over domestic interest rate prospects despite the renewed slide in the pound towards the 90 mark on the sterling trade weighted index.

Startially as Wall Street began to slide and at its worst point the market was nearly 34 points down on the Footsie scale. The clouds over the market thickened as one of the leading UK market makers disclosed a \$12.5m loss for the year, and omitted its dividend payout.

There was very little recovery before the close and the session ended with the FT-SE Index down 31 points at 2,151.8. Seaq volume increased to 550.6m shares from the 525.8m of the previous session.

Despite the sharp fall in market indices yesterday, traders said the leading institutions remained relatively passive towards the market. Market strategists believe that equities have been overbought, and could correct down to around the Footsie 2,050 mark without prompting heavy selling.

Despite the sharp fall in market indices yesterday, traders said the leading institutions remained relatively passive towards the market. Market strategists believe that equities have been overbought, and could correct down to around the Footsie 2,050 mark without prompting heavy selling.

Yesterday marked the end of the June quarter and fund managers were disinclined to shift portfolios around. The strategy team at Warburg Securities commented that the Footsie has proved resilient to sterling's slide, adding that, despite this week's hike in German interest rates, the pound will, "weather this particular storm", without another hike in base rates.

The portable telephone sector suffered further losses yesterday as City analysts continued to assess the implications of the plans to introduce increased competition into this rapidly expanding area of UK business.

FINANCIAL TIMES STOCK INDICES

Table with columns for Index Name, Jun 30, Jun 29, Jun 28, Jun 27, Jun 26, Jun 25, Jun 24, Jun 23, Jun 22, Jun 21, Jun 20, Jun 19, Jun 18, Jun 17, Jun 16, Jun 15, Jun 14, Jun 13, Jun 12, Jun 11, Jun 10, Jun 9, Jun 8, Jun 7, Jun 6, Jun 5, Jun 4, Jun 3, Jun 2, Jun 1, 1988, Since Completion.

S.E. ACTIVITY

Table with columns for Index Name, Jun 29, Jun 28, Jun 27.

London Report and latest Share Index: FT 2059 123001

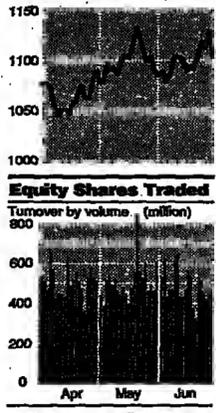
Plessey under attack

A sudden wave of selling took shares in Plessey down sharply, although City analysts raised suggestions that the GEC-Siemens bid project had hit trouble. The sales were widely circulated if not widely believed and a backreaction developed briefly in Plessey shares as disparities opened up in marketmaker screen quotations.

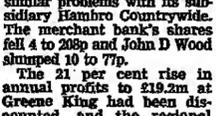
Interim profits from Berisford was the \$14m of exceptional share price was general surprise at the composition of the large exceptional item, in particular the \$2.2m provision for the non-realizability of US property income.

Although there was no immediate rush to downgrade full year forecasts, analysts said that Berisford would do well to meet its own target of between \$114m and \$120m. The underlying trends of the ongoing business are healthy enough, said Mr David Long at Henderson Crosthwaite, "but obviously the de-risking exercises are not over yet."

FT-A All-Share Index



Equity Shares Traded



seas, helped sustain the shares. Doubled earnings put Graham Wood up 18 to 26p, but Baldwin dipped 8 to 16p and Stanley Miller dropped 10 to 24p.

Stam, the fashion retailer, stood out among weaker Shares with an gain of 5 to 19p, after 195p. The broker Kitcat & Aitken had the company into lunch yesterday, and hoped that the market would be moved to move Stam shares, said dealers, and the price may well have been driven higher by short positions in the market.

Asia ended a busy week with another large volume figure; 6.6m shares changed hands as the price shed 2 to 17p.

Dealers seemed relieved when recruitment agency Reed Executive posted a 14 per cent fall in profits for the 53 weeks to the end of March. The stock firm to 10p before the market digested the warning accompanying the figures to the effect that first half trading this year had been hard going.

Market misfortune

The worst market fears were realised yesterday when Smith New Court, the publicly quoted securities house, passed the final dividend payment and declared a \$12.5m loss compared with a 1988 profit of \$7.8m. The last two months of 1988 were particularly bad for Smith which since January has been trading profitably even after charging redundancy payments associated with February's cost-cutting exercise.

Berisford setback

The unexpectedly high costs of restructuring, and problems with the US property operation, led to a set of half-year figures from food and commodities group Berisford International that caught the market by surprise, sending the shares sharply lower. Over 5 per cent was knocked off the value of the group's market capitalisation, as the share price closed 9 lower at 150p on turnover of 3.1m shares.

NEW HIGHS AND LOWS FOR 1989

Table with columns for Name, High, Low.

RISES AND FALLS

Table with columns for Name, Rise, Fall, Same, Rise, Same, Fall, Same.

WEEK IN THE MARKETS

Coffee market waits for vote

COFFEE prices have taken further punishment this week amid increasing confusion about the future of the international pact. The International Coffee Organisation is renowned for last minute solutions to its problems being struck in the early hours after weeks of grueling negotiation. But even by ICO standards, the talks so far on the future of the coffee agreement have been prolonged and tortuous.

On Thursday the September contract on the London Futures and Options Exchange (Foe), which ended last week at \$1,064 a tonne, touched \$994, a tonne after reports that the ICO board was considering an early suspension of export quotas if Monday's voting meeting ended in further deadlock. The price recovered to close at \$1,010 a tonne. Yesterday it edged ahead to \$1,013 a tonne, still a fall of 271 on the week.

Although the market has had its own share of confusing news, the London Daily Price for raws ended the week at \$550.3 a tonne, a rise of \$7.30 on the week and the highest level this year.

when supplies are so tight that the premium over raws reached \$130 at one stage this week. The upward momentum of the market was strengthened yesterday by news that Brazil, one of the few sources for white sugar outside the EC, is to suspend all sugar export contracts signed between 1983 and 1985 because it considers the sales to be highly damaging to the national interest.

LEADERS AND LAGGARDS

Table with columns for Index Name, Percentage changes since December 30 1988 based on Thursday June 29 1989.

BENCHMARK GOVERNMENT BONDS

Table with columns for Coupon, Maturity Date, Price, Change, Yield, Week ago, Month ago.

APPOINTMENTS

appointed Mr Richard Holway as a non-executive director. He was group marketing director at Hoskings Group.

Boardroom changes at RHM

RANKS HOWIS MCDUGALL, the UK bakeries and food group, yesterday announced a series of boardroom changes and appointments, Nicki Zell writes.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Main table containing unit trust information with columns for Name, Class, Price, and other details. Includes a 'GUIDE TO UNIT TRUST PRICING' section at the bottom right.

GUIDE TO UNIT TRUST PRICING. Includes sections for INITIAL CHARGES, NET ASSETS PER UNIT, and TRADING PRICING.

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OTHER UK UNIT TRUSTS

INSURANCES

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Table of FT Unit Trust Information Service listing various unit trusts, their performance, and details. Includes sections for 'ISLE OF MAN', 'LUXEMBOURG', and 'OTHER OFFSHORE FUNDS'.

LONDON SHARE SERVICE

Table of London Share Service listing various funds and shares. Includes sections for 'BRITISH FUNDS', 'COMMONWEALTH & AFRICAN LOANS', 'FOREIGN BONDS & RAILS', 'AMERICANS', 'CORPORATION LOANS', 'Money Market Bank Accounts', and 'Money Market Trust Funds'.

LONDON SHARE SERVICE

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AMERICANS - Contd. Table listing various American companies and their share prices.

BUILDING, TIMBER, ROADS Contd. Table listing companies in the building, timber, and roads sectors.

DRAPERY AND STORES - Contd. Table listing companies in the drapery and stores sectors.

ENGINEERING - Contd. Table listing companies in the engineering sector.

INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies.

INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies.

CANADIANS Table listing various Canadian companies and their share prices.

BUILDING, TIMBER, ROADS Contd. Table listing companies in the building, timber, and roads sectors.

DRAPERY AND STORES - Contd. Table listing companies in the drapery and stores sectors.

ENGINEERING - Contd. Table listing companies in the engineering sector.

INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies.

INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies.

BANKS, HP & LEASING Table listing companies in the banking, home products, and leasing sectors.

BUILDING, TIMBER, ROADS Contd. Table listing companies in the building, timber, and roads sectors.

DRAPERY AND STORES - Contd. Table listing companies in the drapery and stores sectors.

ENGINEERING - Contd. Table listing companies in the engineering sector.

INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies.

INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies.

BEERS, WINES & SPIRITS Table listing companies in the beer, wine, and spirits sectors.

BUILDING, TIMBER, ROADS Contd. Table listing companies in the building, timber, and roads sectors.

DRAPERY AND STORES - Contd. Table listing companies in the drapery and stores sectors.

ENGINEERING - Contd. Table listing companies in the engineering sector.

INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies.

INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies.

BUILDING, TIMBER, ROADS Table listing companies in the building, timber, and roads sectors.

BUILDING, TIMBER, ROADS Table listing companies in the building, timber, and roads sectors.

DRAPERY AND STORES Table listing companies in the drapery and stores sectors.

ENGINEERING Table listing companies in the engineering sector.

INDUSTRIALS (Misc.) Table listing various industrial companies.

INSURANCES Table listing various insurance companies.

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INSURANCES - Contd

Table of insurance companies including Royal Indemnity, Commercial Union, and others, with columns for share price, high, low, and volume.

PAPER, PRINTING, ADVERTISING - Contd

Table of paper, printing, and advertising companies including Newsprint, Printers, and Advertisers.

TEXTILES

Table of textile companies including various spinning and weaving firms.

TRUSTS, FINANCE, LAND - Contd

Table of trusts, finance, and land companies including investment trusts and financial institutions.

OIL AND GAS - Contd

Table of oil and gas companies including exploration and production firms.

MINES - Contd

Table of mining companies including various metal and coal producers.

LEISURE

Table of leisure companies including hotels, resorts, and entertainment firms.

PROPERTY

Table of property companies including real estate and development firms.

TOBACCO

Table of tobacco companies including cigarette and pipe manufacturers.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land companies (continued).

OVERSEAS TRADERS

Table of overseas trading companies including import and export firms.

MISCELLANEOUS

Table of miscellaneous companies including various industrial and service firms.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade companies including car manufacturers and airlines.

COMMERCIAL VEHICLES

Table of commercial vehicle companies including truck and bus manufacturers.

FINANCE, LAND, ETC

Table of finance, land, and other companies including banks and investment firms.

FINANCE, LAND, ETC

Table of finance, land, and other companies (continued).

PLANTATIONS

Table of plantation companies including rubber and palm oil producers.

MINES

Table of mining companies (continued).

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing companies including print and digital media firms.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising companies (continued).

SHIPPING

Table of shipping companies including shipping lines and logistics firms.

OIL AND GAS

Table of oil and gas companies (continued).

FINANCE

Table of finance companies including banks and financial services firms.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including companies from various countries.

SHOES AND LEATHER

Table of shoes and leather companies including footwear manufacturers.

SOUTH AFRICANS

Table of South African companies including various industrial and service firms.

SHOES AND LEATHER

Table of shoes and leather companies (continued).

OIL AND GAS

Table of oil and gas companies (continued).

FINANCE

Table of finance companies (continued).

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks (continued).

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FINANCIAL TIMES

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Army seizes power in Sudan

By Julian Ozanne in Nairobi

SUDAN'S army seized power yesterday in a dawn coup during which Mr Sadiq el Mahdi, the Prime Minister, several cabinet ministers and the army commander were arrested.

It is the third time since independence in 1956 that the armed forces have overthrown a civilian administration.

The coup, which followed a foiled attempt 12 days ago to come after months of tension between the army and Government over the slow progress towards ending the country's six-year civil war.

Little is known about the new regime, but first indications suggest it consists of moderate officers, with close links to Egypt, who are anxious to negotiate an end to the conflict.

In a radio broadcast Brigadier Omar Hassan Ahmed al-Bashir, a senior officer in the Paratroopers Corps and leader of the coup, declared a "June



Revolution." He blamed the civilian government, which took office in 1986, for failing to end the war.

He also accused the government of allowing relations with neighbouring countries to deteriorate - an apparent reference to Egypt, which has been

concerned by the activities of Sudan's fundamentalist National Islamic Front.

A communique issued by the Brigadier spoke of "the failure of the political parties... to realise the minimum aspirations of the Sudanese people."

Later, the brigadier declared a nationwide state of emergency, and a dusk-to-dawn curfew. He also announced the dissolution of the constitution, parliament and political parties, and the formation of a Revolutionary Council.

A second communique in the afternoon distanced the coup leaders from former President Gaafar Nimeiri who came to power in a left-wing coup in May 1969. The revolution, it said, "is a national revolution of neither the left nor the right. It is neither partisan nor denominational."

There was widespread speculation yesterday that Egypt, long-frustrated with Khar-

toum's increasing alignment with Moslem fundamentalists inside the country and with Libya and Iran outside, had given at least moral support to the coup leaders.

If the new Government can end the war, Sudan could begin the arduous process of national reconstruction and economic development.

Ethiopia could benefit provided the new regime in Khartoum is prepared to stop supporting secessionist rebels in Eritrea in return for an end to Addis Ababa's backing of the Sudan People's Liberation Army, which controls most of southern Sudan.

Libya would lose an ally should Sudan's new government join the Arab mainstream, and Cairo would feel more secure with a moderate army which gave no encouragement to Moslem fundamentalists.

Details, Page 2

Lawson dampens surplus hopes

By Philip Stephens, Political Editor

MR NIGEL Lawson, the Chancellor yesterday sought to dampen expectations that the Government's budget surplus this year could turn out to be well above his £1.4bn forecast by warning of the cost in lost revenues of an unexpected boom in personal pension contributions.

His comments followed a stern Treasury warning earlier this week that spending ministers should not regard expectations of an even larger surplus as an excuse to step up their demands for extra cash in their current spending negotiations.

Mr John Major, the Chief Secretary to the Treasury, is facing bids for an increase running into several billion pounds for leading departmental budgets in the 1989/90 financial year. The Environment Department is negotiating for a significant increase to smooth next year's introduction of the poll tax, the Health Department is seeking a large injection of funds into the NHS, and the Education Department wants a rapid acceleration of its capital programme.

At the same time, the surge in inflation is likely to significantly increase the cost of the Social Security Budget.

In a speech to Conservatives in Peterborough, Mr Lawson said that by today's first anniversary of the introduction of the new scheme some 34m people would have taken out personal pensions. The Chancellor gave an enthusiastic welcome to the take-up, but warned that the cost to the National Insurance Fund in the current 1989/90 financial year of the rebates and incentive payments for those opting out of the state scheme would amount to nearly £3bn.

In his March Budget Mr Lawson provided for a £1bn decline in such receipts. That suggests that if nothing else changed the Budget surplus would be close to £1.4bn.

The view in Whitehall is that there is no need for the Government to change its forecast because of the wide range of other factors which affect the surplus. The shortfall in pension receipts, however, is seen as a reason to caution against the general view in the City - among senior spending ministers - that the Treasury have deliberately underestimated the size of the surplus.

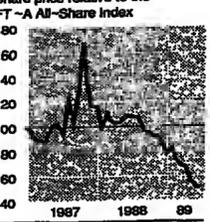
Britain's call, Page 3

The last check-out at Gateway

FT index fell 25.1 to 1,784.5

Smith New Court

Share price relative to the FT - A All-Share Index



Now that both contenders for Gateway have made their final pitch, the game is still extraordinarily close. In one sense, Isoceles has a clear edge; with a claimed 44 per cent under its belt already, it only needs one or maybe two big institutional holdings to settle it all. Conversely, for it to lose, the institutions would have to be almost unanimous in turning down the stub offer.

But the valuation of the stub remains highly contentious. It could be argued that Gateway's own management have put a price on it; their own final offer of 215p cash, compared with 215p cash plus equity from Isoceles, might suggest that they implicitly value the stub at 27p, plus whatever margin they require to make the buy-out worthwhile. But that in turn rests on the assumption that the two competing buy-outs are operationally identical, which is plainly not the case.

This goes beyond the radical differences in Gateway's final shape under the two proposals. Isoceles has the advantage of already having a firm price for much the biggest of its disposals, the superstores. Conversely, the Wasserstein Perella consortium has detailed access to Gateway's books, plus the option of drawing further support out of Gateway's trading. Perhaps above all, there is no telling how far both Wasserstein Perella and A&P are prepared to pay over the odds to gain strategic access to their respective markets in the UK.

Other things being equal, there are good grounds for accepting stub equity in a buy-out as insurance against underpricing. But in this case, there is simply no saying whether things are equal or not. In the end, it may all come down to the question of whether the institutions, having had such a grievous time with Gateway equity in its old form, want anything to do with the revised version.

The worry may be a different one: the scale of losses the firm is incurring elsewhere. It is unenviable to hear that in spite of the disasters before Christmas, market-making was in profit for the year as a whole; it follows that the £12.6m pre-tax loss for the year is all attributable to the cost of building up the broking side, both in the UK and in Japan. This is the more unsettling since Smith, having long since decided that jobbing is not enough, is still adding to its broking staff. But the old-style operators, like their new industry rivals, were always gluttons for punishment.

Pentland Industries

The difficulty in assessing the recapitalisation of Pentland Industries is that all concerned are being rather coy about the real reasons for doing it. It is just a clever piece of financial engineering designed to give shareholders £50m in a tax-efficient manner, or is it designed to create an aggressive stock market vehicle which will no longer sell at a discount to net asset value which would be an embarrassment for even the most sleepy investment trust?

The answer is a bit of both. Pentland's problems have been visible for some time. Three quarters of its earnings are in dollars and come from a low yielding asset it does not control; its lack of UK earnings limits its dividend payout; and it has a majority shareholder whose conservatism may have prevented it from taking the risks needed to develop an equally exciting successor to Reebok, its quoted US associate. Any other company would have been broken up a long time ago but the potential capital gains tax liability, which could be as much as 40p per Pentland share, has been a powerful deterrent.

Under the new structure, the controlling Rubin family takes £17m out of the business, which should ease any long-term financial worries, and a group of Pentland's young Turks have been given considerably more freedom and money to make acquisitions and play in the venture capital and LBO arena. There is nothing in their track record to suggest that Pentland shares justify a re-rating on this count. However, if the new structure allows Pentland to liquidate its Reebok investment without incurring a horrendous tax liability, its shares should be considerably higher than their current 107p.

Cost-cutting measures at James Capel

By David Lascelles and David Waller

JAMES CAPEL, one of the City's leading stockbrokers, announced a series of cost-cutting measures yesterday including the loss of over 100 jobs. The news came as Smith New Court, the City's only publicly-quoted equity market maker, disclosed that it made a loss of £12.6m in its latest financial year.

Coming hard on the heels of 90 redundancies at Swiss Bank Corporation's London operations on Thursday, the announcements capped a bleak week for London securities houses, which have suffered from over-capacity and a squeeze on profit margins.

The steps taken by Capel are intended to save several million pounds and enable it to compete more efficiently. Last year, Capel made a loss of £32m, but its parent, Hongkong and Shanghai Bank, said it believed there was a future for high quality stockbrokers, and ordered a long-term plan to restore profitability.

The job losses fall across the board, but Capel said it remains committed to all its lines of business.

Mr Peter Quinnen, chief executive, described the cuts as "good housekeeping", and stressed that Capel is now operating profitably, "though not overwhelmingly so."

The losses amount to slightly over 10 per cent of Capel's 1,500 UK staff. Its total staff is 2,500, up from 500 only four years ago. Smith New Court's result was much worse than the City expected and marked a turn-around from a profit of £7.6m the year before. SNC, which will omit its final dividend, blamed difficult conditions, and cited a price war between market makers in equities as well as a misreading of the market and low turnover.

Mr Tony Lewis, the chairman, said the results should be seen in the context of an industry where

competitors had collectively lost hundreds of millions of pounds since the Big Bang reforms of October 1986. He said recent years had shown a significant improvement with a return to profitability.

Mr Lewis made it clear that market-making actually made a small, net profit for the financial year as a whole.

By inference, much of the £12.6m loss reflected the costs of SNC's strategy of building up its agency broking side. Mr Marks defended this strategy and said that yesterday's results would not force a change of tack.

Reckitt to cut about 500 jobs over two years

By Christopher Parkes, Consumer Industries Editor

RECKITT & COLMAN, the UK-based multinational, plans to switch responsibility for production and marketing of key products between the UK, West Germany, France and Spain in a shake-up of its international toiletry and household goods operations.

The first stage, announced yesterday, will lead to about 500 job losses in the UK over the next two years, including 400 at the Hull factory on Humberside and 70 at Derby. Additional redundancies are expected to be announced shortly when the group unveils a

scheme for further rationalisation of its continental business. The plans involve simplifying operations and greater focus on core product lines in preparation for completion of its European Community's internal market, scheduled for 1992. The reorganisation will be completed during 1991.

In the first wave of changes, manufacture of Brasso and Duraglit metal polishes will shift to Spain. The Steradent denture cleaner operation will be rolled in with Reckitt's Kukt-dent business, and Bleachma-

tic laundry products will be made in France.

The Hull works, which will continue to manufacture pharmaceuticals and Winsor & Newton and Reeves artists' colours, will become the focus factory for shoe polish, supplying the Cherry Blossom and Mel-tonian brands in Europe and North America.

Derby, meanwhile, will make most of Reckitt's aerosol products for the whole of Europe. These include Haze air fresheners and Supersoft hair spray.

Household goods and toiletries last year accounted for

just over half the group's sales and pre-tax profits. A third of turnover and a quarter of profit came from food and wine, with pharmaceuticals contributing most of the rest. Total sales of £1.4bn yielded £191m profit.

Focused manufacture, with one or two factories making one or two products for the whole of Europe, is becoming increasingly common as multinationals seek economies of scale and more efficiency ahead of the 1992 changes.

Ordnance plant reviewed; Cider plant closes, Page 3

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)		Straits	
Visag	955 + 4	Falls	49 + 7.4
Volkswagen	435 + 2.5	Comp Modere	1025 + 61.1
Falls		Brouf Ass	445 + 20.1
BASF	282.5 - 8.7	Raffinage	160.5 - 7.2
Chimie	281 + 15.5	Syntholabo	435 + 23.5
Mannebaum	281 + 5.5	TOKYO (Yen)	
Thyssen	240.3 - 7.2	Rises	
NEW YORK (\$)		Aichi Sharyo	2070 + 170
Falls		Hohsu	1230 + 110
Coca-Cola	55 1/2 - 1 1/2	Mitsumi Elec	1060 + 87
Gen Elec	52 - 1 1/2	Ricoh Elec	2480 + 330
LN B'casting	117 1/2 - 5 1/4	Falls	
ICI	25 - 1 1/4	Fuji Telco	1010 - 70
Paramount	59 1/2 - 1 1/4	Tokoyoko Seizo	518 - 48
Vestron	3 1/2 - 1	LONDON (Pence)	
PAIRS (FFrs)		Budgen	120 + 8
Dassault (A)	720 + 29.2	Calix Energy	280 + 15
New York prices at 12.30		Cone Gold Flds	1470 + 13
		Elam	20 + 3
		Graham Wood	248 + 2
		Pentland Inds	107 + 5
		Sci & New	335 + 4
		UK Industrial	81 + 2 1/2
		Falls	
		BAT Inds	648 - 11
		Berlford Int	150 - 9

Jaruzelski declines presidency

By John Lloyd

GENERAL Wojciech Jaruzelski, the Polish leader and first secretary of the Polish United Workers Party, yesterday told the Party's central committee he would not stand for the presidency of Poland.

He has recommended support for General Czeslaw Kiszczak, the Interior Minister.

It was not clear last night whether the central committee had accepted his leader's decision, but it is thought likely to do so.

Solidarity officials said that Mr Lech Walesa, the movement's leader, was flying from

his home town of Gdansk to Warsaw to consult colleagues on whether or not they could accept General Kiszczak's candidacy.

Government colleagues, Solidarity and the public widely expected General Jaruzelski to be voted in as president by the slim in-built majority that the Party and its allies have in the new Polish parliament.

The armed forces, through the military council, had made it clear they expected him to take the post.

In the past week, however, he has encountered mounting

opposition to his candidacy inside the Party.

Senior Party officials said that a poll had shown its members blamed him for mishandling elections early last month, in which the Party was humiliated.

A statement, read out midway through the day-long meeting of the 230-strong Central Committee, confirmed the view that the General had accepted the post to be a credible figure to lead Poland through its deepening economic crisis and political impasse.

WORLDWIDE WEATHER

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Azores	18	10	100	London	15	10	100
Algiers	28	10	100	Madrid	24	10	100
Amman	28	10	100	Moscow	18	10	100
Antwerp	15	10	100	Nairobi	24	10	100
Bahia	28	10	100	Paris	15	10	100
Bangkok	32	10	100	Rome	24	10	100
Barcelona	24	10	100	Sydney	24	10	100
Bombay	32	10	100	Taipei	24	10	100
Buenos Aires	18	10	100	Tokyo	24	10	100
Calcutta	32	10	100	Washington	18	10	100
Cairo	32	10	100	Wellington	18	10	100
Cardiff	15	10	100	Zurich	18	10	100
Chicago	18	10	100				
Copenhagen	18	10	100				
Columbo	32	10	100				
Dublin	15	10	100				
Hankow	24	10	100				
Hong Kong	28	10	100				
Hull	15	10	100				
Imbaba	32	10	100				
Jakarta	32	10	100				
Johannesburg	24	10	100				
Khartoum	32	10	100				
Kobe	24	10	100				
Kuala Lumpur	32	10	100				
Lagos	32	10	100				
London	15	10	100				
Lyons	15	10	100				
Manila	32	10	100				
Mexico City	24	10	100				
Mumbai	32	10	100				
Nairobi	24	10	100				
Paris	15	10	100				
Rangoon	32	10	100				
Riyadh	32	10	100				
Sao Paulo	18	10	100				
Seoul	24	10	100				
Singapore	32	10	100				
Sydney	24	10	100				
Taipei	24	10	100				
Tel Aviv	24	10	100				
Tokyo	24	10	100				
Washington	18	10	100				
Wellington	18	10	100				
Zurich	18	10	100				

Student loans Continued from Page 1

of start-up costs, marketing and publicity costs, university costs and other central government costs.

The report discusses three possible ways of financing the loans company: the banks could subscribe equity, they could fund it through debt, or

the Government could provide the funds. It recommends in favour of debt funding because that would "eliminate concern about the advance Corporation Tax on dividends."

However, Ministers are understood to favour the third option under which the Gov-

ernment would provide the funding directly, even though Price Waterhouse recommended against that because of the move away from the public to be only nominally private sector. It would, in effect, be more like an agent of the Government.

Hong Kong anger Continued from Page 1

gramme for, and mandatory repatriation of, Vietnamese refugees, despite US opposition.

Mr George Foulkes, the Labour party's shadow Foreign Minister, welcomed the recommendations on speeding the introduction of democratic government and establishing an international safety net, but said the Opposition would fight the granting of this right of abode to privileged groups.

The recommended concessions include much greater flexibility in giving full British citizenship to civil servants. A large number of other public servants, such as the police, could be given assurances of a right of entry (not full citizenship), which they could not take up until 1997.

"We reject the 'insurance policy' argument that all 3.2m British dependent territory passport holders should be immediately given right of abode," said Mr David Howell, chairman of the committee.

But he added: "We're trying to provide support for the political will to tackle this problem."

The report also suggests defining a category of private sector professionals and managers with British Dependent Territory passports who could be given similar assurances. The committee believes that the British Government has an obligation to give full British citizenship to the non-Chinese BDTT-holders in Hong Kong.

As an international solution, the British Government should immediately see what guarantees for all Hong Kong residents could be established along with other countries, such as members of the European Community, the US, Australia and Canada.

The committee rejects calls to tear up the Sino-British Joint Declaration following the Peking massacre but urges that the Basic Law, Hong Kong's mini-constitution being drafted by teams from China

and Hong Kong, should fully reflect the provisions of the declaration.

It also recommends a Bill of Rights for Hong Kong and the setting-up in the territory of a Joint Constitutional Court. On democratic reform, the committee proposes that 50 per cent of members of the Legislative Council should be directly elected in 1991, and all of them in 1995. The move would substantially broaden the limited democratic rights which earlier seemed likely to be incorporated in the final draft of the Basic Law.

In Hong Kong, the statement from the Executive and Legislative Councils was their most outspoken yet. It said the suggestion that the international community be mobilised in an Armageddon scenario betrayed any desire by the committee to understand, let alone accept, that there was a confidence crisis in Hong Kong which called for immediate action.

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Property Plus

Section III

A SPECIAL SUPPLEMENT

YOU MAY be struggling through alarming new mortgage cost calculations, but housebuilders are racking their brains for new ways of lubricating a home sales chain that is not so much broken as seized up.

Every home loan lender worth the name is inventing variations on discounted and deferred repayment mortgage terms in an effort to persuade buyers to dip into coffers positively groaning with deposits.

Estate agents trading in lower and middle priced homes across the country are taking their few viewers around dozens of properties and becoming used to the embarrassed telephone call, at the end of the exercise, when the prospective buyer thanks them for their trouble and explains that they have decided to wait and see how much more the Chancellor has up his sleeve before making a move.

Among the top-priced, six and seven figure properties, however, it is another world. Even here, Savills confirms that sales turnover is down perhaps 20 to 25 per cent. But, according to Yolande Barnes, of the agent's residential research operation, prices are holding.

"At the top of the market there is still a lot of serious money about," says Anthony Lassman, of the Mayfair agency that bears his name. "Every good house that comes up that is not ludicrously over-priced is attracting interest."

Two sales of Nash houses in Chester Terrace, Regent's Park, London, support that view, Lassman says: "Those who can afford to buy without having to be too concerned about selling are active in the market right now."

A largely unmodernised Chester Terrace house sold in the autumn last year for \$90,000. According to Lassman, a pretty well identical house, "same site, same condition, in the same terrace," has just sold for £1.27m, and the sale price of a fully modernised terrace at £1.37m.

"It would be foolish to say that things are easy," says Lassman, "but good quality properties are genuinely sell-



Not so tough at the top

John Brennan explains where the serious money is going

ing, and selling in competition."

He has seen no signs at all of any extra influx of cash from Hong Kong since the political upheaval on the Chinese mainland, but reports that, at the top end of the London market, the English buyers who, in Forbes' view, "having been somewhat circumspect over the past 18 months, because of the hype surrounding the potential property crash, realised that the top end of the range was holding its own."

Over at Hamptons, John Vaughan expects that the increased purchasing power of the dollar may start to filter into the market as overseas

buyers think prices to be good value. This is a point echoed at Knight Frank & Rutley, which has been reporting buying competition for the best properties in and out of town.

In recent weeks the agency has reported the sale of a \$500,000, three-bedroom house in Lyall Mews, Belgravia (£20,000 above the guide price) to a \$10m-plus sale of the 3,383-acre Druids Lodge Estate, in Wiltshire, in a deal completed within a week of the start of the property's sales marketing programme.

The sale of Canonleigh Manor, at Christow, near Exeter, Devon, helps to illustrate the way premium property values have held up across the country. The five-bedroom, Grade I listed manor, in 9½ acres, was sold in 1982 for £200,000.

The stone manor, largely Elizabethan built, resold in 1985 for £275,000. In April this year the price had risen to "in the region of" £700,000.

The best properties are still selling, both in town and country. Within four weeks of its release on to the market, by Knight Frank & Rutley, the seven-bedroom, Grade II listed manor and stately Little Manor, in the Cotswolds village of Tisbury, Oxfordshire, attracted 25 offers, a number of competitive bids, and a successful offer "substantially in excess" of the £1.5m asking price.

the home counties would probably only be about 15 per cent.

Just as critical as the regional comparison, the manor has sold at a price which pays little heed to the interest rate problems besetting the market among the mortgage-sensitive price levels.

Down among properties where loan costs matter, the most recent national poll of its residential agency members, by the Royal Institution of Chartered Surveyors, reaffirms the slowdown that has driven housebuilders, from Charles Church to Barratt, to promote, respectively, part-purchase equity mortgage schemes and chain-breaking home buying services.

The prospect of low-to-zero average price growth and sharply lower sales volumes of houses for the year as a whole - apart from those priced outside the range of interest-rate problems - sits ill against the growing weight of evidence showing a residential development land shortage in the south of England.

As the latest of these surveys, completed for Hamptons residential development team by H & R Consensus Research International, suggests, an urgent reappraisal of planning policies in the southern half of the country is needed. Otherwise, trying to pack 700,000 additional people into the area represents a "housing demand crisis" which, if policies do not change to release more development sites, can only mean another upward spiral in land and property prices.

Agents still take a pound of flesh

Sales are down, but commissions will stay high, says John Brennan

NOW THAT estate agents are rationing their property listings, taking on to their books only those properties that they think they have a realistic chance of selling, there is little chance of bargaining over sales commissions.

Most of the major firms also now insist on being instructed as the sole sales agents. As they have to work harder to achieve a sale - with the ratio of viewing numbers to sales dramatically higher than a year ago - few agents are willing to dilute their earnings by splitting commissions with a buyers' selection of joint agencies.

Average sales commissions are, therefore, likely to firm up again after the reduction last year recorded by the Woodwich Building Society in its survey of agency fees countrywide.

That survey showed widespread commission cutting to attract sales instructions. Against nominally quoted fees of between 1.5 and 2.5 per cent of sale prices, the national average for charged fees fell from 1.93 per cent in 1987 to 1.86 per cent in 1988.

This year, with sales volumes sharply down and sellers rather than buyers hounding the agency offices with anxious phone

Agents' sales fees by country	
Sales fees, average percentage of sales price	
France	6
USA	7
Canada	7
N. Germany	6
Italy	4
Sweden	4
Belgium	4
Switzerland	4
New Zealand	4
Denmark	3
Ireland	3
Spain	3
UK	1.5 - 2.5
Netherlands	2
Norway	2

calls to see if there is any news, few people are haggling over commission charges. That is unlikely to stop successful sellers from grumbling when the agent's fees come due, however.

One of the few things that first-time buyers get for free is the estate agent's service, so at least they have no real grounds to join the chorus of agency critics, on cost grounds, at least.

As for the rest of the country's home movers, a review of property transfer sales' commissions worldwide on behalf of the Relocation Services Institute suggests that UK vendors do better: the service they pay for, as the accompanying table shows,

UK Offices

Ascot, Beaconsfield, Chipping Norton, Cirencester, Edinburgh, Glasgow, Guildford, Hereford, Hungerford, Leeds, Oxford, Sheffield, Sherborne, Shrewsbury, Stratford-upon-Avon, Tunbridge Wells.

Knight Frank & Rutley

Overseas Offices

Australia, Bahrain, Botswana, France, Hong Kong, Japan, Malaysia, New Zealand, Nigeria, Singapore, Spain, United States Of America, Zimbabwe.

Buckinghamshire
Wendover 7 miles. M40 11 miles. London 30 miles.

An outstandingly well situated country house looking over its own land.

3 reception rooms, 7 bedrooms, 5 bathrooms. Self-contained flat. Garaging. Hard tennis court. Stable yard and excellent outbuildings. Paddock. Mature gardens, farmland and woodland.

About 81 acres

Apply: Beaconsfield (0494) 676388 or London 01-629 8171 (FR/100430)

Herefordshire
Michelsclerch Beckley, Hereford 14 miles.

A fine residential and sporting estate with magnificent views across the Black Mountains.

Rasley House with 3 reception rooms and 6 bedrooms. 3 acres. 250 acres land. Excellent 18-hole golf course. 100 acres of woodland. About a mile of double bank fishing.

About 1,052 acres

In excess of 2,300 acres of common land, grouse moor including part of the Black Mountains.

Apply: Hereford (0432) 470887 or London 01-629 8171 (FR/21906)

Somerset/Wiltshire Border
Bristol 1 mile. Bristol and Bath 26 miles. London 112 miles.

An historic residential estate.

Elaborate listed Grade II* manor house with imposing hall, 4 reception rooms and 6 bedrooms. Beautiful parkland and grounds. Secondary house. Three cottages. Excellent modern 170 cow dairy unit. Milk quota of 800,000 litres.

About 485 acres
As a whole or in 2 lots.

Apply: Sherborne (0595) 812296 or London 01-629 8171 (FR/21900)

Buckinghamshire
Bellingham, Wendover 4 miles. London 25 miles. M40 (Junction 3) 10 miles.

A very pretty 17th century listed house. Farmyard with development potential.

3 reception rooms, 5 bedrooms, 3 bathrooms. 4 period barns all with residential planning permission. Formal gardens. Stables. Paddock.

About 10 acres

Apply: Beaconsfield (0494) 676388 or London 01-629 8171 (AR/DM/1/10080)

Hertfordshire
Cussey Wood, Luton 11 miles. Luton 25 miles. M25 (Junction 17) 1 mile.

A former school currently in residential use. Scope for institutional development (subject to planning consent).

3 reception rooms, 12 bedrooms, 4 bathrooms, 2 cottages. Gymnasium, store rooms.

About 5 acres

Apply: Beaconsfield (0494) 676388 or London 01-629 8171 (DM/1/2261)

Berkshire
Ascot

An outstanding newly built house in a rural location.

Hall, 3 reception rooms, master suite of bedroom, bathroom and dressing room, guest suite with en suite shower room, 3 further bedrooms, 5 family bedrooms.

Detached double garage. Gardens.

About 1/2 acre

Apply: Ascot (0880) 24732 (FR/10019)

Leicestershire
Burbage, Leicester 10 miles. Birmingham 26 miles. Leamington Spa/Warwick 20 miles. M69 (Junction 1) 1 mile.

A sumptuously appointed manor house with comprehensive recreation facilities.

3 reception rooms, 6 bedrooms, 2 bathrooms. Second floor flat with 3 further bedrooms and reception room. Heated indoor swimming pool, sauna and solarium, gymnasium, office and moorland rooms. Cellars, 6 car garage, gardens.

About 3 acres

Apply: Stratford-upon-Avon (0780) 297735 (JVEW/100128)

Hertfordshire/Essex Border
Maudon, Babop's Stratford 3 miles. Central London 36 miles.

An attractive village house with magnificent Grade II listed Tithe barns.

3 reception rooms, 4 bedrooms, 2 bathrooms. 2 large Tithe barns. Walled paddock. Gardens and grounds.

About 1 1/4 acres

Joint Agents: G A Property Services, Stratton Walden (0780) 23068 Knight Frank & Rutley, London 01-629 8171 (FR/10086)

Buckinghamshire
Marlow, M40 and M4 4 miles. Henley-on-Thames 22 miles. London 24 miles.

One of the finest houses on the River Thames.

Reception hall, 6 reception rooms, master bedroom suite, 4 further bedrooms, 3 further bedrooms and 1 bathroom. Indoor swimming pool, 25m x 10m. Lodge, 2 cottages and a flat. Carriage. Beautiful formal gardens. Book house. 300ft of river frontage.

About 2 acres

Apply: Ascot (0880) 24732 or London 01-629 8171 (AR/10080)

Hertfordshire/Essex Border
Maudon, Babop's Stratford 3 miles. Central London 36 miles.

An attractive village house with magnificent Grade II listed Tithe barns.

3 reception rooms, 4 bedrooms, 2 bathrooms. 2 large Tithe barns. Walled paddock. Gardens and grounds.

About 1 1/4 acres

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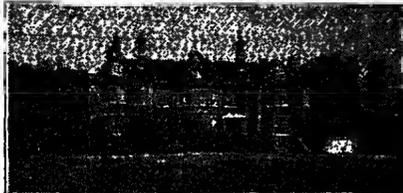
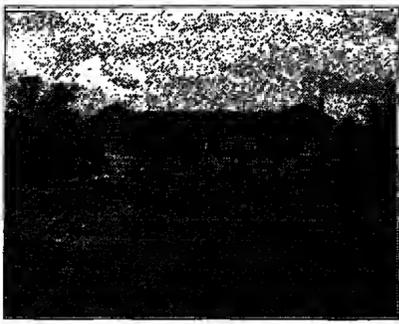
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PROPERTY

Retire to a life in the sun

Audrey Powell on housing schemes in France, Spain and Portugal

WHILE THE retirement homes market is subdued in the UK, would-be buyers have to sell existing properties before they can buy today's increasingly expensive sheltered housing.

Developers point out that the British who buy such properties abroad do not necessarily depend on their UK home to fund the purchase. They may well be local. There is also a growing take-up from people leaving Hong Kong and South Africa, and from UK couples who already live abroad but want to move to something that is less trouble.

McCarthy & Stone started this ball rolling with its retirement holiday accommodation in Santa Ponsa, Majorca, and now with a series of overseas projects for permanent retirement living. The first of the sheltered versions - the ones with alarm bells to call assistance - has just opened in Grasse, in the south of France. It is a block of 37 flats in the centre of the town, with a French (English-speaking) house manager and such continental touches as marble flooring, high ceilings and a wine store.

The Grasse properties have balconies looking over rooftops to the Mediterranean or down to the busy main street. There is underground parking, laundry room, communal sitting room, roof garden and guest suite. Most of the flats, apart from a few studios and two-bedroom types, are one-bedroomed and sell for around £25,000. The maintenance charge - controlled strictly in France - is from £740 to £1,500, depending on the size of flat.

Meanwhile, McCarthy & Stone's 58-apartment project at Juan-les-Pins is now roofed and should soon be taking occupants. This is 300 yards from shops and beach and overlooks a park. There is a landscaped roof garden on the seventh floor to take advantage of more Mediterranean views. Prices from £52,000 and several (French) reservations already.

Anglia Secure Homes, the next largest firm in the retirement homes field, hasn't followed its rival overseas yet but it is looking in France and the Netherlands. Many other overseas sheltered retirement schemes are beginning to appear, several in Spain. There is Almond Court, a 78-apartment project by Inter

Spain SA in Mochamel, a suburb of Alicante on the Costa Blanca. First buyers are just about moving in. It conforms very much to the UK pattern - one or two bedrooms, alarm system, house manager. There is also air-conditioning/central heating, a weekly doctor's surgery and a physiotherapy service. Prices from £36,000 to £38,000, maintenance charge about £1,000 a year. A regular bus service to Alicante takes about 20 minutes and, in summer, there is another to nearby San Juan beach.

Further south at Almerimar, on the Costa de Almeria, a retirement project is soon to be started by Cheltenham Associates, which is backed by Hoteles Playa, a Spanish hotel group. There will be 40 two- and three-bedroom sheltered apartments as part of a general scheme of 180 flats built along a ridge overlooking a golf course.

The thinking is that while some retirement schemes aim openly to cosset residents, who want to relax in their later years, some elderly people dislike this and want only to know that help is available in emergency. Hence, this is not being marketed as a retirement scheme but as an ordinary country club with apartments and villas "ideal for retirement".

Prices are from the lower £60,000s for a two-bedroom flat ("these are launch prices," stresses managing director Michael Hess) and annual maintenance charge £700/£900. There will be 24-hour security and a nursing service if needed.

Overlooking the old fishing port area of Marbella, on the Costa del Sol, the Embassy Property Group is about to start its first retirement scheme: 88 two-bedroom beach-front apartments. These, also, will not be ready until next year but the developers are taking reservations now. Prices range from about £100,000, and penthouses with individual swimming pools from £260,000. Management charge is about £5,500 a year. There will be an English-speaking resident manager and 24-hour security plus a communal pool and lounge, bridge room, bar and hair-dressing salon.

To illustrate that not all these developments are similar, a quick return to the Costa



Panoramic living... the view over Grasse from a McCarthy & Stone retirement apartment

Blanca - which the World Health Organisation once said had the "healthiest climate in the world." On an elevated site, on the edge of the small town of Calpe, the Colina Club is building its first retirement scheme.

ALPE, between Valencia and Alicante, is known for its dramatic Ifach Rock, towering 1,000 ft from the beach. Colina Club residents are promised views of the rock and the sunrise over the Mediterranean (always providing they want to get up that early). The club is on the 50-acre Colina del Sol private estate with mini-golf, tennis, pool and clubhouse. The retirement project provides 50 apartments, with some nearing completion. There are one or two bedrooms and sun patios, while residents will have personal alarms. There will be a clubhouse restaurant, bar, shop, launderette, hairdresser, meeting room, doctor's surgery, physiotherapist's consulting room and guest rooms. Here, the arrangements for

purchase are rather different, with a choice of life-long or fixed-term leases starting at £25,000 for 30 years and an annual service charge of £1,500. There is an American approach to this scheme. The club will be the first of a number of "Golden Life" retirement resorts, with this as a brand name that will doubtless turn up on things like its jogging suits and trainers - for activity seems to be a key theme.

One is told that, freed of household maintenance there will be more time for the active retired to "get on with more important matters." Golf and sailing, of course, but sporting opportunities within a short driving time of the club "exist in amazing variety" - athletics, boxing, serious hunting, motor cycling, go-karting, fencing, weightlifting, judo, karate, mountaineering, roller-skating and all-in wrestling are listed.

In Majorca there is a more prosaic approach, with a project soon to be started by Highcross International and a Madrid-based property company. They plan 72 mainly two-bed-

room apartments in the fishing village of Puerto Andraitx. These will be in 10 blocks, with a central pool and bar. Prices from £90,000-110,000 with weekly service charge of about £25. The developers see their prime market as being British expatriates aged 50 or over, retired or about to be. With more than 10,000 British residents on the island, they feel there is a ready-made market as they get older.

Again, slightly different in concept, is Autumn Glades, a retirement community planned for the village of Ferragudo, near Portimao, in Portugal's Algarve. Behind it is Michael Downing, who is with a firm of investment managers. He noted that many of their clients were overseas and a number were in Portugal. They were finding life increasingly difficult as they became older, with problems such as getting help to do property repairs. But the clients did not (or could not) return to the UK.

Downing felt that a retirement scheme was needed and

has obtained planning permission for such a project, comprising about 50 apartments and penthouses. They will probably sell for about £70,000. There will be a medical room and - vital, he feels - an administrative centre which would provide the necessary help to put a washer on a tap. There would be no involvement in the owners' financial affairs unless they wished to use the investment company's services.

Several of these projects will be managed by the Retirement Care Group (plus another in France, planned for Montpellier de Quers, north of Toulouse; also an area where a large number of British have settled). Peter Morgan, founder-director of Retirement Care, believes good management is essential to the success of any such project, and his organisation aims to provide that. It is responsible for external maintenance, looking after ground insurance, employing a resident manager, providing and maintaining emergency alarm systems and keeping accounts. Retirement Care has waiting lists of applicants for such schemes in Britain. But overseas management is a new market, says Morgan, and a growing one.

Another way in which he feels his group could be useful is when one of a couple living abroad dies and the person left wants to return to Britain but might not know what to do. "We have 150 retirement estates in this country and can offer to bring the person back and sell their property abroad. They could then buy a place in a retirement estate here."

Addresses: McCarthy & Stone, Homelife House, 26 Oxford Road, Bournemouth BN9 5E2 (tel. 0202-293-177); Almond Court - British Overseas Property Brokers, 14a Chisne Ave, Bitterne, Southampton SO2 7JF (0703-420-674); Cheltenham Associates, 11a St George's Mews, Primrose Hill, London NW1 (01-483-2141); Embassy Property Group, 1 Cornwall Street, Birmingham B3 2DT (021-238-6888); Colina Club - Tim Stephens, Golden Life, 14 Ringmer Ave, London SW6 5LW; Highcross International, Tommers Wharf, Canal Walk, Newbury, Berkshire RG13 1DY (0635-521-088); Autumn Glades - LMD International, The Market, Barham, Kent (0227-831-831); Retirement Care Group, 7ubs Hill House, London Road, Sevenoaks, Kent TN13 1DS (0723-480-664).

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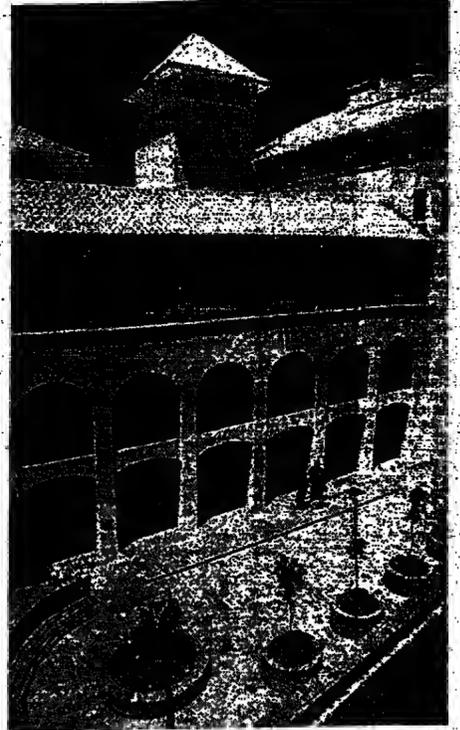
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PROPERTY

The Rock gets a facelift

GIBRALTAR is only 2.25 miles long by 0.75 miles wide but it is famous out of all proportion to its size. Its photogenic profile, towering 1,400 ft at the entrance to the Mediterranean, and its colourful history keep it in the limelight. While treading a sensitive political and international path - with last year's switch to a socialist Government and the continuing question mark over sovereignty - it is managing to perform an economic volte face. For long years it was essentially a garrison town, dominated by the needs of the armed services. Now that their numbers and funds are declining, it is changing to accommodate another kind of services. Since 1985, when its border with Spain was re-opened, the colony has been developing as an offshore centre with financial services, housing, tourism as a source of income. This is bringing a whole new way of life to the Rock - different people with different business and housing needs. Gibraltar takes it all in its stride. The new Government admits unashamedly that it wants funds, from whatever source, and is more interested in where the money goes - on housing for its lower income people, for instance - than whence it comes. The colony's 30,000 people include 20,000 born there. Among the rest are 1,150 civilian Ministry of Defence staff and the British expatriates who like the Rock's "English" atmosphere. There are also 1,900 military MOD personnel. It is not a place favoured greatly by long-stay holiday-makers but 3.7m visitors, including day trippers, spent £38m there last year. Crowds come across from Spain, especially on its many national holidays, to shop. Although Gibraltar is associated with the EC through its links with the UK, it does not have VAT. But goods are subject to a 12 per cent import duty. Since Gibraltar decided to pursue its new role, financial institutions "have flooded to the Rock" according to Neil Wright, director of local estate agent FMS. There are 23 banks established, or with licenses to do so, and numerous supporting financial service companies. According to Wright: "The pace of activity is nowhere better witnessed than in Main Street, where shopfronts are busy modifying fronts of buildings and displays. The overall effect will be to change the face of the Rock in line with its rapidly increasing importance as a major world business and financial centre." Along with this comes the urgent need for more housing for staff, and upmarket versions for those at managerial level. Hence, many of the new developments include a section of residential accommodation designed for such occupants. Among these is the £4.8m Cornwall's Centre off Main Street, comprising a landscaped central piazza, two colonnaded levels of boutiques, bistros and restaurants, plus office space and 24 apartments with parking. Most of the commercial space had been taken and all the flats were sold long before the recent official opening. (Some flats obviously went to speculators and are back on the market at £80,000 to £236,500, for one to four bedrooms.) An important waterside project is 233m Quayway Quay, a five-year programme by the same developer, Taylor Woodrow. This will incorporate shops and a hotel with conference facilities and health club plus a casino around a marina. There will also be 163 apartments, which will doubtless be snapped up quickly. As FMS says: "The limited size of Gibraltar, combined with the influx of business and interest from abroad, has resulted in fierce competition for office space and residential accommodation." Work is nearing completion on the 23m Regency House, a 63,000 sq ft office block designed to blend with the old fortifications. There is parking for 60 cars (parking is as difficult in the centre of Gibraltar as it is in London). The development has no residential accommodation but Marples International and local developer, Gibraltar have started on Regency Plaza, overlooking Rota Bay. It's the same sort of story - 49 apartments along with commercial premises, and all the apart-

ments gone long before the end-of-year completion. A little different in design are 80 two- and three-bedroom duplex crossover apartments and four penthouses which will make up Spram House in Rota Road. This is a UK-backed New Capital Properties scheme. The apartments have air-conditioning and underground parking and share gardens and swimming pool. Prices start at £109,500, or £300,000 for the penthouses on the eighth and ninth floors. An 11-floor residential and commercial project at Sheppard's Marina, one of the Rock's two marinas, will have 64 apartments and office accommodation. - and so it goes on. To be honest, Gibraltar does need new developments, so long as they are of the right type. Much of the existing property looks tired and in need of sprucing-up. Buildings the hospital will have a range of facilities, including intensive care, four operating theatres and an accident unit. It will also be providing a full nursing service - something not necessarily available in Spanish hospitals. Cambridge Capital is retained as financial adviser and site work should start in the autumn. The hospital will be built on reclaimed land. Gibraltar gives the lie to advice to buy land "because they don't make it any more." So far, it has reclaimed 290,000 square metres (nearly 72 acres). The Government has set up a reclamation company with a Dutch firm, and their efforts have produced 15 acres recently at a cost of £2m. Housing for local residents will be built on part of the land "to meet some of our social obligations," says Trade and Industry Minister Michael Feetham. Other parts are being leased to those prepared to pay the premium asked. Feetham admits that they are making money out of reclamation; however, it should be said that this and other Government joint venture schemes are not popular with the local Chamber of Commerce, which sees them as competing with local firms. Feetham says: "Our strategy is to attract investment into Gibraltar." But the Government wanted international investors and not to depend entirely on British money. There would be Danish, Japanese, some from Finland, a certain amount of Spanish. The subject of land is anything but straightforward in Gibraltar. You are told that 3 per cent of the land is held in freehold. The rest is made up of MOD land, Gibraltar government land, Gibraltar government leases and MOD leases. You are also told that the armed services occupy about 46 per cent of the area of Gibraltar. The MOD owns the colony's main airport, for instance, although commercial services share it. (There are plans to improve the terminal.) When land is no longer required by the military, it does not go on to the open market but is made available to the Gibraltar government, which decides how it should be used. However, the MOD says there is likely to be a substantial military presence on the Rock "for the foreseeable future." Projected re-arrangements



A pavement view of Cornwall's Centre, off Main Street, which includes shops, offices and 24 apartments at a cost of £4.8m.

Audrey Powell looks at developments that are giving Gibraltar some much-needed new housing

away from the centre could be painted and wrought-iron balconies made attractive again. Lots of window boxes of flowers would help (although they couldn't do much to disguise some very plain living quarters and other MOD properties). There are, however, reasons for the uncare-for look. During the 16 recession years, when the border with Spain was closed and the colony largely cut off from outside life and tourist income, the business community and hotels suffered. There is also the low-rent problem - replacing the gutting of a house wiped out six years' rent, said one man; and one sitting tenant would allow improvement in case her payments were increased. Some things are being done, of course. About £1m has been spent on upgrading that famous name, the Rock Hotel, which boasts five stars. And a 150-bed private hospital is to be built at Waterport by a British company. It will surely be welcomed by expatriate residents along the Costa del Sol. Simon Lovegrove, managing director of the developer LJS Health Care of Suffolk, says

room, marble flooring, parking and a view of the straits is £210,000. Some is geared to the investor or developer: £335,000 buys an elderly, three-storey shell that could be extended or demolished and rebuilt as seven storeys. £102,000 buys six flats that could be modernised or converted. All the properties mentioned are on the books of FMS Estate Agents in Main Street (tel. 01-830-71428). It also also has a UK office in Maidenhead, Berkshire (0629-776-000). There are 16 estate agents in Gibraltar, a list of which is available from the Gibraltar Information Bureau at 179 Strand, London WC2R 1EH (01-836-0777). The bureau is a government agency and has a range of literature about the Rock as a financial, yachting or holiday centre.

are likely to free some land in the town centre shortly. The former naval dockyard now operates as a commercial ship repair yard, owned by the government. But it has more space than needed and parts of this are to be taken by government departments now using premises in the town. This will release land in the town centre. That brings us back to the Rock's accommodation problems. I haven't mentioned re-sale properties, but many tend to be much like the new ones - modern flats, by no means cheap. A studio, fitted and furnished with balcony in Marina Bay is £85,000; there is parking and a communal pool. A one-bedroom flat with view of the cathedral square is £57,000. A modern three-bedroom, three-bathroom house with drawing

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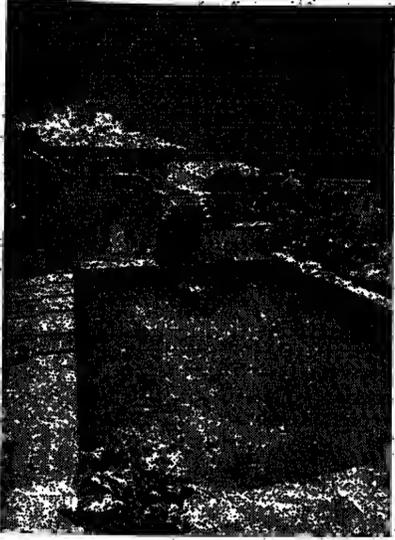
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Telephone: 01-234 6162 Fax: 01-234 6163

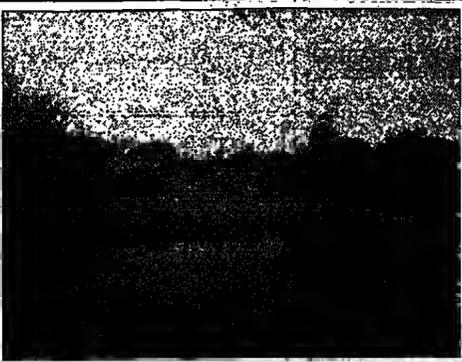
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COUNTRY PROPERTY

SAVILLS

STAFFORDSHIRE 812 ACRES Chartley

Stafford 6 miles, Uttoxeter 6 miles.
An exceptional residential and sporting estate.
The Chartley Hall Estate
812 acres of rolling countryside comprising a most impressive moated Manor House with an ornamental lake set in beautiful parkland containing the remains of Chartley Castle.
Attractive farmhouse, 6 cottages, 3 ranges of excellent farm buildings.
Superb shoot, keeper's cottage.
For sale as a whole by private treaty.
Joint Agents: Savills, London. Tel: 01-499 8644.
Evans & Evans, Stafford. Tel: (0785) 42426.
Contact: Justin Marling or Katie Armistead.



FIFE - By St Andrews

St Andrews 2 miles, Edinburgh Airport 56 miles.
A charming Georgian manor, re-furnished to the highest standard, with spectacular views over the surrounding countryside and Fife coastline.
3 reception rooms, kitchen, office, utility room, cloakroom, TV room, 7 bedrooms and 4 bathrooms. Oil fired central heating. Attractive walled garden. About 1 1/2 acres.
For sale as a whole with vacant possession.
Savills, Edinburgh. Tel: 031-226 6961.



BERKSHIRE - Cookham Dean

Reading 24 miles, Maidenhead 44 miles, M40 (exit 4) 44 miles, M4 (exit 859) 6 miles, London 29 miles.
An immaculately presented substantial family house standing in a superb elevated location with perhaps one of the finest views in the Thames Valley.
Drawing room, dining room, sitting room, large kitchen/breakfast room, study, office, playroom, bedroom 5. Master suite of bedroom and bathroom, 3 further bedrooms, 3 further bathrooms. Double garage, swimming pool, garden and woodland.
About 7 acres.
Savills, London. Tel: 01-499 8644. Savills, Hove, Tel: (0401) 579990.
Carter Nicholas Brown.



WEST SUSSEX About 88 ACRES Nr. Haywards Heath

Haywards Heath 10 miles, Victoria Airport 47 miles, A210213 3 miles.
Charming family home to a superb setting with 88 acres.
Main house: Entrance hall, drawing room, dining room, library, study, garden room, 6 bedrooms, 3 bathrooms, 3 secondary bedrooms and bathroom.
Lodge: 2 reception rooms, 2 bedrooms, bathroom.
Swimming pool, garage, outbuilding, stable, paddock, ponds, driveway and parking.
Savills, London. Tel: 01-499 8644.
Carter Nicholas Brown.

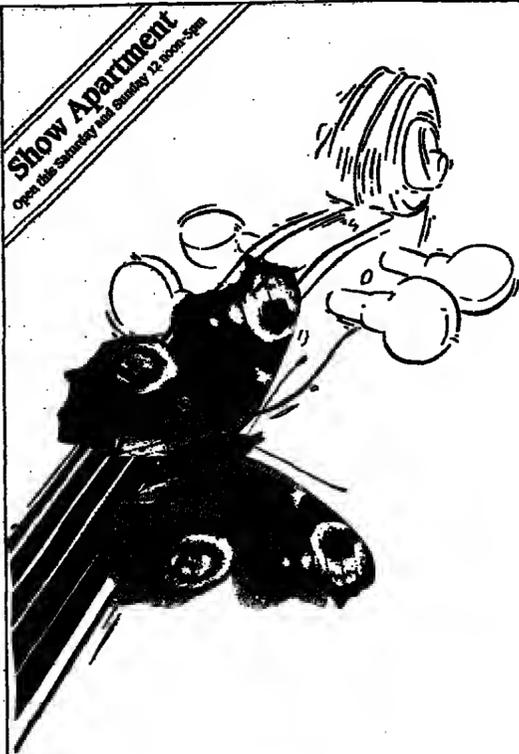


SUFFOLK About 485 ACRES Lidgate

Worcester 5 miles, London 1 hour, Bay St. Edmund 11 miles.
A fine residential farm, adjacent to one of Suffolk's most attractive villages.
Delightful 6 bedroom principal house. Attractive farmhouse, currently comprising 2 semi-detached cottages.
Two ranges of modern and traditional farm buildings.
Grade 2 listed land.
For sale by private treaty as a whole or in 2 lots.
Furnished with vacant possession (see for options appropriate).
Savills, Cambridge. Tel: (0223) 844371.

01-499 8644 20 Grosvenor Hill, London W1X 0HQ

LONDON PROPERTY



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Imagine a home whose elegant, classically inspired architecture is reflected in the changing colours of mature trees, quiet walkways and a tranquil canal.
A location where enjoyment of the exclusive on-site leisure facilities provide the harmonic balance to the pressures of today's lifestyle.
A unique development which scales new heights of elegance and whose prestige can only be appreciated by the genuinely discerning homeowner.
Ideally situated in London's West End-in perfect harmony with your way of life.

Carlton Gate MAIDA VILLAGE W9

TRULY IN TUNE
Visit the marketing suite and show apartment. 01-266 3277

Carlton Gate Development Company Ltd
A joint venture company between Debenham Tewson Residential and Knight-Ridder Group
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Tel: 01-493 8222 Fax: 01-491 3541 Telex 25341

33 WIMPOLE STREET LONDON W1

A superbly restored Grade II listed building displaying a wealth of expertly restored period detail and providing a selection of highly individual 2 Bedroom Flats and a magnificent 3 Bedroom flat and second floor duplex by Harrods Interior Design Studio.
Impressive Entrance Hall - Daily Portage - Lift - Fully Fitted Luxury Kitchens
125 year lease Prices from £365,000 to £625,000

Home & Sons
27 Redcliffe Square, London W1M 4JW
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Harrods
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Tel: 01-499 2888

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Drummond Gate, Pimlico
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London's finest new homes in an exclusive garden setting

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2pm - 5pm Sunday Tel: 01-826 9920

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PRUDENTIAL
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01-834 9998

ST JAMES'S - LONDON SW1

The most historic view in London

Set in the heart of historic St James's, two stunning penthouses set on the top of an elegant period building with far reaching views over St James's Palace to the Towers of Westminster and over the rooftops of Green Park.
The accommodation, perfect for gracious entertaining or for practical family living, comprises:

PALACE VIEW
Double drawing room, dining room, master bedroom suite, second bedroom suite, two further bedrooms, further bathroom, kitchen, guest cloakroom. Extensive roof terrace.
Separate studio and flat.
24 hr portage and secure parking.

GREEN VIEW
Double reception room, dining room, master bedroom suite, second bedroom suite, further bedroom, further bathroom, kitchen, executive balconies.
Separate and studio flat.
24 hr portage and secure parking.

LEASES
Over 60 YEARS
PRICES UPON APPLICATION

North-Corbridge-Groves
01-629 6804

SAVILLS
01-730 0822

AVESFORD
01-351 2383

10 HILLHOUSE ROAD, EDINBURGH

This attractive detached family villa on two floors is situated only five minutes from Princes Street in one of Edinburgh's most desirable areas. The property built in 1927 comprises on the ground floor: Hallway, bright bay-windowed Lounge, Family Room, Double Bedroom, Dining Room, Bathroom. Large newly fitted Kitchen with Breakfast Bar, Utility Room. Upper Floor: Hallway, 3 Double Bedrooms, Bathroom and Floored Attic.
The property has a Double Garage, beautifully tiered Front Garden and Private and Secluded Rear Garden with Greenhouse, Patio Area and picturesque Fish Pond.
This delightful property is available at offers over £135,000. For viewing by appointment - telephone 031 332 4213.
For further information contact Fiona Davis, Skene Edwards & Garton WS
5 Albyn Place, Edinburgh 031 225 6665

COUNTRY PROPERTY

CORNISH MANORS ST IVES/PENZANCE

Superior Holiday Homes
From only £25,000

New 2/3 bedroom Holiday Homes in groups of Cornish Manor. Indoor pool and lots of facilities. Full management service. Self financing. CAPITAL GAINS TAX RELIEF

Resales: KENNEDY MANOR, GULVAL, PENZANCE, CORNWALL
(0739) 6677

An immaculate split level apartment in a Georgian building beside the park in Richmond upon Thames, with easy access to Heathrow & the city. 2 beds, porter & secure private parking.
£180,000 O.N.O.
Tel: 01-848 7213

BLISS MILL

AN OUTSTANDING RESTORATION OF A UNIQUE VICTORIAN TWEED MILL

FIRST RELEASE OF 12 EXCEPTIONAL APARTMENTS WITH PRIVATE LEISURE COMPLEX, SET IN THE OXFORDSHIRE COUNTRYSIDE

Built in 1873 by William Bliss II for the weaving of high quality tweeds, Bliss Mill, Chipping Norton was considered a model rural showpiece.
Today this cast-iron stone building has been sympathetically refurbished to feature 44 luxury apartments and duplexes. A leisure centre with pool, jacuzzi, billiard room and squash courts has been added to an original building in the landscaped grounds.
Positioned in some of the best of English countryside, yet within easy reach of major motorways, Bliss Mill is the ideal country retreat with all the hard work taken care of.
There will only ever be one Bliss Mill, so if you would like to know more about the phase 1 release of 12 apartments please call Savills (Banbury) 0295 3535 or better still, come and see for yourself. Prices in phase 1 from £140,000. SAVILLS

BLISSMILL
Tel: 01235 1173

Humberts Residential

Wiltshire/Dorset Border

Wiltshire 5 miles, Salisbury 5 miles (Waterloo under 2 hours), A303 10 miles

An elegant house on the fringe of the Cotswolds. 5 reception rooms, 5 bedrooms, 5 bathrooms, kitchen, oil central heating, garage. Outstanding landscaped garden and outbuildings. Paddock.
Price Guide: £450,000 Freehold with over 2 acres.
Details: Shaftesbury Office, Tel: (0747) 83462

01-629 6700

BIDWELLS 0738 30666

Chartered Surveyors

MORAYSHIRE

2 1/2 miles, Inverness Airport 20 miles, London Heathrow 1 hr 20 min (Direct flight)

An ideally located residential development opportunity and sporting estate

16 Rooms & Cottages
1800 acres furnished building 830 acres suitable ground and 336 acres plantation potential.
1678 year old stone House & Cottages.
Roe deer park, Pheasant shooting, 2500 acres in all

FOR SALE AS A WHOLE OR IN 3 LOTS

ON THE INSTRUCTIONS OF THE NATIONAL TRUST TO BE SOLD BY PRIVATE TREATY WITH THE BENEFIT OF A CURRENT PLANNING INF

Taplow Lodge, Taplow Nr. Cliveden, Buckinghamshire

A SUBSTANTIAL DETACHED PROPERTY TOGETHER WITH A SEPARATE COTTAGE AND OUTBUILDINGS TO BE SOLD WITH FULL VACANT POSSESSION.

FURTHER DEVELOPMENT POTENTIAL EXISTS FOR THE 64 ACRE SITE SUBJECT TO OBTAINING THE REQUIRED CONSENTS.

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REF M12DDP

COUNTRY PROPERTY

STRUTT & PARKER

13 HILL STREET BERKELEY SQUARE
LONDON W1X 5DL
01-629 7282



SUSSEX-Langton, Lewes 7 miles.
A fine Grade II listed barn situated in a beautiful rural position with far reaching views to the South Downs. Planning consent for conversion into superb house. Surrounding land for protection & grazing. About 21 acres. For sale by Auction on 7th July 1989. Lewes office: Tel. (0273) 475411. Ref. 604387



WEST SUSSEX-Hoefield, Brighton 12 miles.
Mixed residential farm with spacious farmhouse, farm buildings & block of land. 2 reception rooms, 5 bedrooms. Extensive range of buildings suitable for equestrian use. About 1.05 acres. For sale by Private Treaty as a whole or in 3 lots. Lewes office: Tel. (0273) 475411. Ref. 604377



SUSSEX-Hartstmonesey, Eastbourne 12 miles.
First class residential stock/holled farm with period farmhouse & detached cottage. Farmhouse: 3 reception rooms, 5 bedrooms, 3 bathrooms. Cottage: 2 reception rooms, 5 bedrooms. Buildings: Extensive range of stock & corn buildings. About 277 acres. Region £1 million. Lewes office: Tel. (0273) 475411. Ref. 604352



WEST SUSSEX-Nr. Chichester, Chichester 8 miles.
Productive arable farm with refurbished farmhouse, pair of cottages. Situated on Chichester Coastal Plains. Farm house: 2 reception rooms, 5 bedrooms, 3 bathrooms. 3 bedroom cottage, Fertile Grade 2 & 3 land. Gravel/garden purpose buildings. About 480 acres. Region £1.3 million. Lewes office: Tel. (0273) 475411. Ref. 604379



DEVON. Exeter 26 miles, Taunton 30 miles.
Impressive & substantial former vicarage, renovated to exceptionally high standard. 5 reception rooms, 9 bedrooms 4 en suite bathrooms, 4 en suite shower rooms. Coach house. Gardens & grounds. Garaging. About 1 acre. Region £350,000. Taunton office: Tel. (0823) 277261. Ref. 1582348



SUCKINGHAMSHIRE-Chilton, Amersham 4 miles.
A fine Queen Anne house in rural setting. 3 reception rooms, 6 bedrooms, 3 bathrooms. Stabling for 7, sand school. Guest/staff cottage. 2 timber barns. Railed paddocks, gardens & woodland. About 18 acres. Region £380,000. London office: Tel. 01-629 7282. Ref. 14011350



BERKSHIRE-Binfield, Ascot/Windsor 6 miles.
An attractive Grade II listed detached house adjoining wooded farmland with southerly views. 2 reception, 4 bedrooms & 3 bathrooms. Cottage & staff accommodation. 6 loose boxes, swimming pool & tennis court. Garage, paddocks. About 10 acres. London office: Tel. 01-629 7282. Ref. 14011265



SURREY-Egham, Windsor 5 1/2 miles.
Attractive Grade II listed 17th century country house adjoining wooded countryside. 3 reception rooms, master suite of bedroom, bathroom & dressing room, 5 further bedrooms & bathroom. 2 bedroom staff/guest cottage. Gardens & grounds. About 2 1/2 acres. Excess £350,000. London office: Tel. 01-629 7282. Ref. 1401055



WEST SUSSEX, M11 9 miles.
A small modern country house with glorious views. 4 reception rooms, 4 bedrooms, bathroom, 2 shower rooms. 2 Bedrmed cottages. Coach house for further accommodation. 4 acres of garden. 16 acres of woodland. 66 acres of let farmland. 78 acres in all. Region of £700,000. Chelmsford office: Tel. (0245) 258201. Ref. 2407487

CARTER JONAS

LEICESTER - RUTLAND
Oundle 2 miles, Lutterworth 16 miles, Kettering 23 miles
(NST to London, St. Pancras), Peterborough 27 miles

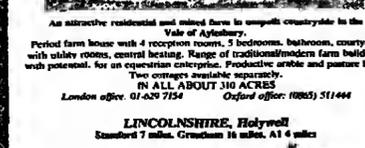


A fine listed country house with valuable grazing land on the edge of a popular conservation village in the heart of the Cotswolds. Tenantry owned. Hall, three reception rooms, domestic offices, five first floor bedrooms, two bathrooms, two second floor bedrooms, third bathroom. Oil fired central heating. Outbuildings, stabling, farm buildings, gardens, grounds and grazing land. ABOUT 14 ACRES REGION £250,000

Adjoining farmland up to 100-30 acres available in addition if required as valuation Peterborough office: 0733 London office: 01-629 7134

BUCKS/HERTS BORDERS

Alroth, Parn, Long Marston
Tring 4 1/2 miles, Aylesbury 7 miles, London 38 miles

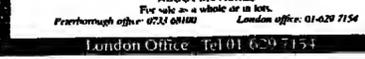


An attractive residential and mixed farm in superb countryside in the Vale of Aylesbury. Period farm house with 4 reception rooms, 5 bedrooms, bathrooms, courtyard with utility rooms, central heating. Range of traditional/modern farm buildings with potential for an equestrian enterprise. Productive arable and pasture land. Two cottages available separately. IN ALL ABOUT 310 ACRES ABOUT 110 ACRES

London office: 01-629 7134 Oxford office: (0865) 511444

LINCOLNSHIRE, Holywell

Scardiff 7 miles, Grimsby 16 miles, A1 4 miles



Delightful country estate in a beautiful location with lovely stone-built residence. 4 reception rooms, 7 bedrooms, 4 bathrooms. Attractive gardens, lakes, outbuildings and farm buildings. Period 4 bedroom cottage. traditional range with potential for conversion, arable and pasture land. ABOUT 310 ACRES For sale as a whole or in lots. Peterborough office: 0733 68180 London office: 01-629 7134

London Office: Tel 01 629 7134

TRING PARK

London 32 miles. M1 (Junction 8) 14 miles. Heathrow Airport 40 minutes



MAGNIFICENTLY LANDSCAPED 18TH CENTURY PARKLAND.
PLANNING PERMISSION FOR A COLLEGE HOUSE IN AN UNRIVALLED SETTING.
POTENTIAL FOR RESIDENTIAL DEVELOPMENT.
FOR SALE BY AUCTION ON 11th JULY 1989.
Brown & Merry

COUNTRY HOUSE AND FARM SALES Tel: (0296) 672855

major freehold for sale

Grosvenor House BRIGHTON

Suitable for redevelopment for a variety of uses connected with tourism or the conference centre industry (Subject to planning consent).



CLUTTONS

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GA Town & Country

SUSSEX BRIGHTON TOWN CENTRE 2 MILES

A very fine Period House, Listed Grade II* of Queen Anne origins in a village setting on the outskirts of Brighton.

5 reception rooms, 5 principal bedrooms 2 secondary bedrooms, 2 bathrooms (1 en suite), cloakroom, kitchen/breakfast room. Gas fired central heating. 2 garages. Large secluded walled garden, 2 conservatories, planning consent for 2 dwellings in the kitchen garden. Freehold For Sale as a whole.

Joint Sole Agents: GA Town & Country, Storrington, Tel: (09066) 4342 OR Hamberts, Lewes, Tel: (0273) 478828 London office - Tel: (01) 629 6700

London Office: 22 Grosvenor Square, London W1X 9LE Tel: 01-495 5555

PRODUCTION AGE, COMMERCIAL CONIFER WOOD

PHEASANT SHOOTING AVAILABLE. SPROXTON WOOD

Near Helmsley, N. Yorkshire

52 Hectares (130 acres)

FOR SALE GUIDE PRICE £150,000

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PAYNE & CO

LIMPSFIELD HOUSE LIMPSFIELD

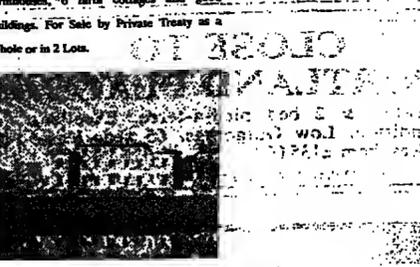
A very special opportunity. Superb Georgian style family home in delightful setting. 4 Reception + full size panelled Smoking Room + Conservatory, 4 Bedrooms, Dressing Room, 3 Bathroom Inc. 2 Suites, Master designed suite. Approximately 7 1/2 Acres.

Colour Brochure - Payne & Co, Oxford Office (0865) 712812

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PUSEY OXFORDSHIRE

A classic English headed Estate of 1,300 acres in the heart of the Oxfordshire countryside. A fine Georgian country house overlooking renowned formal gardens and ornamental lake. A superb park with well managed woodlands. 7 Houses and Cottages in and around the village of Pussey. Excellent stable and dairy farm with 6 farmhouses, 6 farm cottages and good buildings. For Sale by Private Treaty as a Whole or in 2 Lots.



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PERIOD COUNTRY HOUSE WITHIN 10-50 ACRES

required by cash buyer - up to £1,000,000. Impeccable financial references available. Vendors, or their agents are invited to submit details to:

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CENTRAL



EAST SUSSEX - 317 ACRES

Hailsham - 4 miles Eastbourne - 12 miles
A beautifully situated country estate in an elevated position with outstanding views to the South Downs.
THE PRINCIPAL HOUSE: 3 principal bedrooms and bathroom suites, 2 further bedrooms and 1 bathroom. Reception/dining hall, drawing room, sitting room, study/office, cloakroom, kitchen/breakfast room, utility room. Self-contained staff annex. Three car garage. Heated swimming pool and pool house. Most attractive gardens.
DETACHED THREE BEDROOM COTTAGE
A PAIR OF THREE BEDROOM COTTAGES
Two ranges of farm buildings, paddocks, pasture and arable land. In all about 317 acres.
Substantial Offers invited for the Freehold LEWES OFFICE: (0273) 471231 HAILSHAM OFFICE: (01323) 60282

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Two ranges of farm buildings, paddocks, pasture and arable land. In all about 317 acres.
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LONDON PROPERTY

FARRAR STEAD & GILN

LIBERTON STREET SW15
VIEWING HIGHLY RECOMMENDED. Elegant and bright house which has been sensitively and beautifully modernised, situated in the popular area.
5 BEDROOMS, BATHROOM, ENSUITE SHOWER ROOM, DOUBLE DRAWING ROOM, STUDY/WITH BEDROOM, KITCHEN/DINING ROOM, BREAKFAST ROOM, GCH, PATIO GARDEN. JSA Callender Wright.
Freehold
Telephone 01-773 8422

MOORE PARK ROAD SW6 £250,000
Charming Victorian house, recently modernised offering generous accommodation on 4 floors with a 1 bed basement flat and pretty sitting garden.
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Telephone 01-773 8422

BRAMPTON STREET SW3 £340,000
Magnificently refurbished mansion with a superb roof terrace overlooking one of the largest private gardens in central London.
4 BEDROOMS, 2 BATHROOMS, DRAWING ROOM, KITCHEN/DINING ROOM, GCH, ROOF TERRACE, COMMUNAL GARDENS, ENTRYPHONE.
Lease 92 years
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GLENDON GARDENS SW7 £220,000
Attractive and immediately presented 2nd floor apartment with a large roof terrace and wonderful views.
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Lease 71 years
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LILYVILLE ROAD SW16 £220,000
Stunning semi-detached Victorian family house, fully restored and modernised to a very high standard with a magnificent conservatory.
4 BEDROOMS, 2 BATHROOMS (2 ensuite) DOUBLE RECEPTION ROOM, CONSERVATORY, KITCHEN/BREAKFAST ROOM, CLOAKROOM, GCH, CELLAR, ROOF TERRACE, GARDEN.
Freehold
Telephone 01-771 4281

VERNERST ROAD SW6 £495,000
Delightful family home in excellent decorative order with many original features and benefiting from 57 sitting garden.
4 BEDROOMS, 2 BATHROOMS (1 ensuite), DOUBLE RECEPTION ROOM, KITCHEN/BREAKFAST ROOM, DINING ROOM/FAMILY ROOM, CLOAKROOM, GCH, CELLAR, 57 GARDEN.
Freehold
Telephone 01-771 4281

Elizabeth Court, Chelsea.
For people who've retired from business, not life.

Situated in Milman's Street, Chelsea, Elizabeth Court has one and two bed apartments developed by the Guardian Housing Association and Harry Neal Ltd.

Special features include a resident manager, speech sensitive alarm, a unique guest suite and an attractive landscaped garden.

125 year leases start at £250,000. For that you get a new lease of property. And life.

For details and appointments to view the show flats ring 01-581 5402.

Jackson-Stops & Staff

LONDON, FULHAM SW6

Superb 5th floor flat in exclusive mansion block with private river frontage and large private garden. Lovely views of Thames from all rooms. Excellent 24 hour security.

2 reception, 4 beds, 2 baths (one ensuite), open plan dining hall, breakfast room, large full fitted kitchen. Parking. Many extras included.

117 years leasehold
Price: £375,000
Phone: 01-736 3181

NORTH KENSINGTON LUXURY RAISED GROUND 2 BED FLAT

2 bedrooms both with fitted wardrobes. 1 with Enca shown. Magnificent drawing room 27'. Modern Kitchen. White tiles, white hob/oven, ceramic top, separate Chookroom. Two Bathrooms fully tiled with gold accessories. Approx 27' garden. Leasehold 99 years. Price quoted £250,000 or to let £220,000 p.a.

Telephone 01-581 5299

TOWNHOUSE

Spacious accommodation in the desirable suburb of Northwood, 35 mins on Met line to city. Comprising of 3 double bedrooms, 2 bathrooms, 3 large reception rooms, fitted kitchen, cloakroom, integral garage, Japanese style garden. Private sale.

Freehold offered at £280,000
Tel 0273 5881

Courtneil Street, W2
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West End 10 mins, City 20 mins
Lower Ground floor apartment. Free lined street. Private entrance, entry phone security; patio garden, SE facing; entrance hall; dble recep; open plan kit; 1 dble bed; bath; GCH; 124 yr lease. To inc carpets, washing machine/dryer, cooker, fridge, freezer.
Immediate vacant possession
First offer of £93,000 secure
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CLOSE TO PORTLAND PLACE

Ideal 1 & 2 bed pied-a-terre. Excellent condition. Low Outgoings. 65 year lease. Prices from £135,000.

Mellersh & Harding 01-499 0866

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A little more than £200,000 buys you more than a little Victorian style

Distinguished 3 and 4 bedroomed homes designed in keeping with the well-mannered architecture of their 1860's neighbours in the Ravenscourt Park conservation area.

Prices from **£205,000**

Contact **Barnard Marcus**, the sales agents, for colour brochure on **01-742 1444**

Part exchange your existing home - ask for details

RAVENS COURT MEWS BRACKENBURY VILLAGE HAMMERSMITH

Prices correct at time of publication. Please check availability and prices with the agent. Properties illustrated may not always be available.

ABBEY NATIONAL HOMES LIMITED

WEST END FEATURE



ROSEHAUGH COPARTNERSHIP DEVELOPMENTS LIMITED

The finest newly built block of apartments in Bayswater are now available at Alexandra Court, 5/17 Moscow Road, London W2.

An exclusive development of 28 stylish 1, 2 and 3 bedroom apartments created for the discerning purchaser who wishes to live in the West End, but close to the open spaces of Hyde Park and Kensington Gardens.

- Position** Conveniently located in the heart of Bayswater close to the new Whiteley's shopping Centre.
- Accommodation** Spacious well planned 1, 2, and 3 bed apartments with secure under-ground parking.
- Specification** Fixtures and fittings are of the highest quality which is evident once an inspection is made.
- Convenience** Only 5 minutes from the West End and 15 minutes from the City.

125 years Leasehold Prices £165,000-£395,000



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London W2 4UW
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Pay for 75% of your new Heron home today and the rest in 5 years. And it's all yours now!

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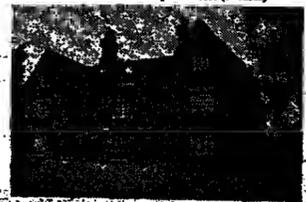
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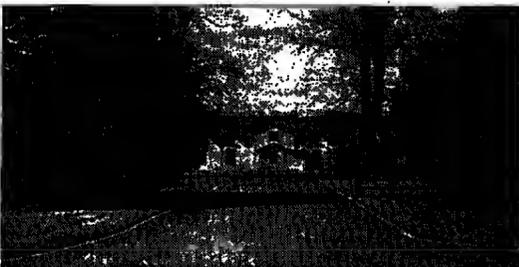
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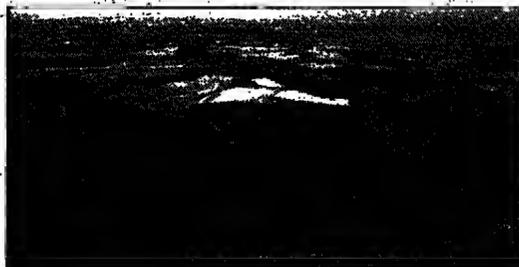
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Weekend FT

SECTION II

Weekend July 1/July 2, 1989

Boat people drift in sea of hostility

Thai Hong, a 30-year old Vietnamese sailor, has tried to leave his homeland and become a refugee several times in the past few years. Each time, he has been caught and punished. One day at the end of May, he and 97 other Vietnamese boat people found the answer: they paid officers in the Vietnamese army seven tael of gold to help them.

The gold - worth more than \$2,000 - bought them a four-hour trip in an army truck out of the port city of Hai Phong. They were put in a boat (which normally costs about one tael of gold per passenger) and towed out to sea by an army launch until they reached China's territorial waters. There, the escort job was complete, the tow was cut and the boatload spent 23 days sailing to Hong Kong, stopping every night in Chinese coastal villages where they sold gold to buy provisions and oil.

Thai Hong and his friends were part of the 19,000 Vietnamese boat people who have flooded into Hong Kong during the past two months. Many have had help from corrupt Vietnamese government officials and army officers. They come in boats carrying anything from seven or eight to 200 people. All stop en route in China, which never lets them stay. But since the easing of Vietnamese-Chinese relations, some have even travelled part of the way by land through China.

Most are a flock of errand. They are seeking an escape from the drudgery of their war-torn and poverty-stricken country, and they have been seduced by tales of excitement and a glittering future that lies beyond Hong Kong in the US, Australia, or some other friendly country. But it is, as Hong Kong government publicity material puts it, a "voyage to nowhere" because they have arrived too late. After 10 years of sympathy for their plight, the world has had enough of coping with an endless tide of boat people.

Because of the money needed, those who leave are not the poorest; instead, they are people who can raise the gold to invest in the purchase of a new boat. About 30 per cent of them are children and most are under 35. Only about 10 per cent (it was 30 last year) have come from the south and could have faced political persecution because they worked for the former anti-communist regime and its supporting US, Australian and New Zealand forces.

Hong Kong, faced with its own problems of preparing for its return to Chinese sovereignty in 1987, has taken the lead in developing new policies to clear more than 47,000 boat people now in its territory and stop the flood of new arrivals. (The United Nations took this up at a Geneva conference earlier this

month). So, the best for which most can hope is a few months - perhaps a year or so - of life behind high, barbed-wire fences with the colony's forbidden glitter only a few miles away. Then, they will be handed onto aircraft for Vietnam. An initial planeload of 142 Vietnamese has gone already; plans for hundreds more to be sent back have been discussed this week in Hanoi by the Vietnamese and Hong Kong governments, and in London by British Foreign Secretary Sir Geoffrey Howe and his Vietnamese counterpart, Nguyen Co Thach.

There are now about 90,000 boat people scattered around South-East Asia, with sizeable numbers in such countries as Thailand and Malaysia. Of Hong Kong's total, nearly 14,000 are recognised as refugees entitled to re-settlement in the West. But Hong Kong stiffened its policy on June 16 last year. It said it was revising its role as a country of first

asylum and would accept as refugees only those people who could prove in a screening process that they feared political persecution. This ended nine years of special treatment for the boat people, all of whom were accepted previously as refugees under a 1979 international agreement. The United Nations High Commissioner for Refugees (UNHCR) has now accepted Hong Kong's line, which is also being applied by other countries. This means that almost all the remaining 33,000 in Hong Kong will not qualify and face being sent back to Vietnam.

There are several reasons for the rough treatment given to the boat people. Hong Kong's Legislative Council has made it clear it will vote no more funds for them, having spent HK\$20m since 1979. (The voting of expenditure is the only Legislative Council power that cannot be over-ruled by Sir David Wilson, the British Governor.) There is also resistance to them being housed in built-up areas which already have some camps. New problems of preparing for its return to Chinese sovereignty in 1987, has taken the lead in developing new policies to clear more than 47,000 boat people now in its territory and stop the flood of new arrivals. (The United Nations took this up at a Geneva conference earlier this

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Facing a future full of doubt... a young Vietnamese refugee awaits her fate in Hong Kong

grassy knoll on the edge of Hong Kong's territorial waters. It is half-owned by Hongkong Land, part of the Jardine group, which thought earlier in the 1980s of turning it into a holiday resort or a high-class recreation area. For the past month, though, it has been used to dump up to 5,000 boat people because the colony has run out of covered accommodation.

A Union Jack flies on a crumbling jetty building above a landscape covered with empty food cans, litter, sewage, and all the other signs of a squatters' settlement. People crouch in the ruins of an old fishing village and under temporary ramshackle canvas shelters, surrounded by filth they make no effort to remove despite the health hazard which is worrying relief workers. When police asked their leaders to "organise a clean-up, they replied: 'Cigarettes first'."

During the past month, they are alleged to have stolen at least 700 garoupa from local fish farms and to have polluted the rest. They have killed and barbecued two semi-wild cows and fought over the meat. Two men and a girl have vanished. One person has drowned. There are fights every day over food: official rations are portions of tinned baked beans and macaroni, orange biscuits and milk. After one food fight, a man went to hospital, his head

bashed by a hammer. After a time in such makeshift arrival centres as Tai Ah Chan, or dirty, rusting old ferry boats near Hong Kong's massive container terminal, the Vietnamese go on to more permanent camps. One is at Sham Shui Po in Kowloon. Sited in the middle of a densely-populated area, this is an old army barracks, surrounded by 18 ft-high barbed-wire fences, which was a notorious prisoner-of-war camp during Japan's 1941-45 occupation of the colony. Huge airframes lumber overhead deafeningly on their final approach to Kai Tak airport.

Sham Shui Po contains 4,000 potentially illegal boat people and 2,500 accepted refugees. The locals complain about noise and hygiene and are also sometimes jealous of the fact that about 1,400 of the refugees go out to work and earn HK\$3,000-5,000 a month in garment factories, bakeries and hotels. (There are 5,000 Vietnamese working in different areas, helping to ease Hong Kong's serious labour shortage.)

Thai Hong told me his story standing by his family's home - two bunks of 4 ft by 6 ft board, with 3 ft of headroom, arranged in a huge old army tank maintenance factory that now houses more than

2,000 potential illegals in hot, crowded, noisy conditions. How do they spend their time? "We eat, sleep - what else can we do?" Some play volleyball and other sports.

On the refugee side of the camp, Thi Hong, a 24-year girl dressed smartly in pink shirt and blue jeans, sat with her younger sister on their shared 6 ft by 4 ft 6 inch bunk learning English. Both former prisoners-of-war camp during Japan's 1941-45 occupation of the colony. Huge airframes lumber overhead deafeningly on their final approach to Kai Tak airport.

On the next bunk was Thi Kim Liet, who arrived a month earlier and also qualifies as a refugee. She has a five-year old son and a five-month old baby born in Hong Kong. Her husband left their boat just before it sailed. "I don't think I shall see him again," she said. "I am waiting to be re-settled."

Outside the dormitory, Le Thi Van, 30, runs a stall selling soft drinks, biscuits and other provisions. She says her profits are "a secret" but admits to earning more than a factory worker. Her husband is also employed in a supermarket. There is a lot of crime. "They are

violent people - it is primitive violence," said one guard. In Sham Shui Po, there have been three murders and many injuries. There were 100 criminal cases during the first three months the camp was open. Every few weeks, security forces sweep through all the camps, collecting a wide range of lethal, home-made weapons.

As the screening shows, few of the boat people are fleeing from political persecution. Some from the south say their children will be banished from schools because they worked for the Americans (although that raises the question of the dividing line between discrimination suffered by minorities all over the world, and persecution). Others qualify clearly, though.

Tran Le Minh, a 34-year old marine technology lecturer from Hai Phong, is one: his family has been hounded ever since his grandfather was a high provincial official under French rule before 1945. He arrived on July 21 last year, around a month too late for automatic refugee status, but he will probably be cleared.

Until recently, it was argued widely that, in order to allow such people to escape persecution, the world should act as host to the rest of the boat people. About 1.5m people have come out of Indo-China on that principle, but the mood has now changed because of the huge numbers still involved and because the political situation in Vietnam has changed dramatically.

The recent conference in Geneva decided to accept Hong Kong's screening system and agreed on an emergency three-year re-settlement in the west for 56,000 recognised refugees in the region, including the 14,000 in Hong Kong. Some of these people have been in camps for up to eight years because they use a criminal record or seem unemployable and no country wants them. A special effort is to be made to accommodate them.

All newly-qualifying refugees are to be re-settled within three months, and countries such as the US are to double from 3,000 to 6,000 the annual quota of immigrants they accept direct from Vietnam under what is called the "orderly departure programme." That should slash the huge backlog and curb the frustration that often makes people take to the boats.

The UNHCR is also to launch a propaganda campaign in Vietnam and, more importantly, among communities of Vietnamese living overseas with the message that there is no life in the West for boat people who are economic migrants.

Repatriation to Vietnam of more than 35,000 potential illegal immigrants (32,000 of them in Hong Kong) is also to be speeded up. Vietnam has so far agreed to accept only volunteers - but it knows it must go further if it is to receive substantial economic aid from the West for urgently needed national reconstruction after the expected withdrawal of its troops from Cambodia later this year. That will mean it must drop its objection to forced repatriation and accept something similar to Hong Kong's compulsory repatriation of illegal Chinese immigrants.

The Long View

Inflation as both friend and enemy

THE BUNDESBANK spoiled the party this week, clawing the UK equity market back from its post-crash high. Sterling's weakness - it has depreciated by 7 per cent since the first half of 1988 - seems to worry the market less than the possibility that measures might need to be taken to support it.

Can we, therefore, assume that investors have learned to live with inflation? In the past, it has proved to be a decidedly mixed blessing for the equity market. Until the early 1970s, equities were seen as offering a hedge against inflation. But when inflation accelerated in the mid-1970s, equities were undermined dangerously. The big bull market of the mid-80s developed as inflation fell to historically low levels. Generally speaking, a little bit of inflation helps equities but a lot damages them.

Although the increase in the Retail Prices Index might edge down slightly in the latter part of 1989 because of year-on-year effects arising from changes in mortgage rates - which at least will not be going up as fast as in 1988 - corporate sector inflation will be a different matter. Wage inflation might well be around 10 per cent, which could prove serious for unit labour costs if output slows and productivity gains come to a halt. Meanwhile, higher import costs will be feeding through.

If they haven't done so already, the time has come for

finance directors to dust down their old inflation accounting files. The smarter ones, of course, will privately have been making inflation adjust- ments to their profits all along.

Inflation can affect share prices at several levels. To the extent that shares represent real assets, they can be bid up as investors react to rising inflation by scrambling to buy inflation hedges of various kinds.

But with the real yield on index-linked gilts still over 3.5 per cent, it does not appear as though there has been any very pronounced reaction of the equity market in past periods of rising inflation.

Elsewhere, the important negative effects arise from the potential impact on profits. This was the dangerous area in 1974, when a combination of price controls and an ill-considered company tax burden almost bankrupted industry. Emergency concessions to the corporate sector by then-Chancellor Denis Healey in November 1974 were worth £7bn a year in today's money.

We don't have to worry about price controls any more but tax could still pose prob-



So far, accelerating inflation has had little apparent effect on equity market sentiment, but it is becoming prudent to study the historical precedents

lems. When the present Chancellor, Nigel Lawson, restructured corporation tax in 1985, he abolished stock relief and failed to make any other provision for inflation - which was, you remember, never going to trouble us again. The corporation tax take has subsequently rocketed from £2bn to £18bn.

Most companies pay a nominal rate of 36 or 37 per cent, but this will rise quickly to an effective rate of well over 50 per cent as the corporate sector inflation climbs.

We are still stuck with an accounting system which fails to allow for the extra cost of replacing physical assets - whether stocks or plant and machinery. Early in the 1970s, when inflation was roughly what it is now, rising prices pre-empted around 30 per cent of profits (before interest, but after tax). By the late 1970s, 50 per cent of profits were being absorbed in this way despite Healey's concessions.

Fortunately, there are some reasons why the impact is unlikely to be so severe in today's conditions. For one thing, industry holds lower inventories than it did thanks to better control and the spread of techniques such as just-in-time sourcing the stock to output ratio has fallen by about 15 per cent since the 1970s. More importantly, managers have been made aware of the problem and won't die of ignorance. There will be no more cases like British Leyland, which effectively became insolvent in 1974 without ever declaring a loss or failing to pay a dividend.

Managers can take action - which, essentially, means putting up their selling prices faster. This has a healthy message for companies but not for inflation in the short term, or for export volumes given that

manufacturers will operate on the basis of more stringent rate-of-return objectives.

Whether such objectives can be met, however, might be another matter entirely. One sector exposed particularly to competitive pressures is banking, where the danger arises from holding substantial net monetary assets. Inflation tends to lead to high interest rates which increase the nominal return on these assets - but it is appropriate to make a parallel provision to account for the corresponding erosion of real value.

For the sake of topicality, take the example of Abbey National, with some £2bn of net monetary assets post-inflation. On the basis of 8 per cent inflation, the adjustment on that is £160m, a third of forecast *pro forma* pre-tax profits (or three-quarters of retained profits). Needless to say, you won't find any indication of the impact of inflation in the 82-page Abbey National prospectus.

Maybe a temporary inflationary blip can be ridden without too much trouble. But several years of moderately high inflation would pose a problem for many companies, by raising sharply their demand for extra working capital from the banks. It is interesting to speculate how bad it would have to be for the Treasury to swallow its pride and resuscitate stock relief, or for the accountancy profession to wake up to its responsibilities.

Finance Leaders and legends	IX	Diversions: Aye-ayes love cheese	XV	Jobs	208-209	Finance & the family	31-31	Sport	XX
How To Spend It: Fashion	XVII	Collecting Cotswold antiques	X-XI	Books	209	Overseas	31-31	Short Markets	XX
Property: 12-page supplement Section III		Sport: Wimbledon and Henley	XX	Bridge	209	Low To Spend It	208	London	XX
				Chess	209	Money	208	New York	XX
				Crossword	208	Property	208-209	TV and Radio	XX
				Divertions	208-209	Small Sharemarkets	VI	Travel	XX-XXI

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MARKETS

FINANCE & THE FAMILY: THIS WEEK

The leaders and laggards

It has been a profitable six months for investors in UK equities - but what will the next six months bring? Philip Coggan looks at the leaders and laggards among the companies. Page III

Fluctuating fortunes

Next week's results show some ups and downs for the companies concerned, among them First National Finance Corporation, Empire Stores, Scottie & Newcastle Breweries and Fitch Lovell. Page IV

Insure - and travel right

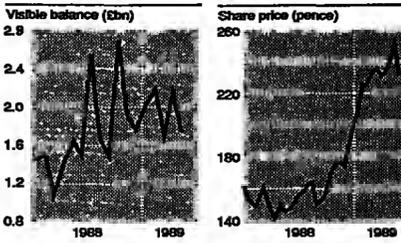
It's holiday time again - but are you sure that you are covered against disasters such as injury, loss of travel money or cancellation? Mike Leonard advises on what to look for to ensure your peace of mind. Page V

Minding your own business

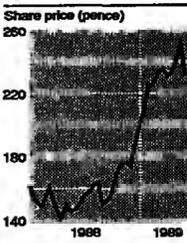
MYOB goes north, where Ian Hamilton Fazay reports on a 'mini-conglomerate' run from the former dining room of a family house in Harrogate. Plus the first in a series on the relevance of the professions to small businesses. Page VII

Abbey National said its share offer was at least 1 1/2 times oversubscribed when it closed on Thursday morning. Several thousand applications were delayed because of the rail strike on the previous day. Full details of the success and how the scaling down will work are due on Monday, but applicants for small numbers of shares are likely to be strongly favoured - see page III for how to sell your Abbey National shares.

UK trade deficit



GEC



Trade figures for May seen as 'encouraging'

The UK May trade figures released this week were the most encouraging set of data released for some time. The current account deficit at £1.3bn was well below the figure most in the City expected and asset prices rose accordingly. The figures showed that there had been virtually no growth in imports last month, while exports rebounded strongly. The UK, however, still has a long way to go before its trade account returns to balance. Annualising the deficit in the three months to May gives a trade shortfall of £17.6bn for the year, which is hardly an encouraging prospect. Simon Holberton

GEC brings cheer to market

One of the few encouraging factors in the stock market in the latter half of the week was an excellent trading report from GEC. A high payout on profits, which were up 13 per cent and well above expectations, sent analysts hurrying to their calculators to upgrade forecasts for the current year. The shares gained nearly 5 per cent over the week, moving against the market trend. However, the near-term outlook remains dominated by the prospects for news on the Ministry of Defence talks on the GEC/Siemens approach to Plessey. The market would like to see a renewed bid by the middle of July, but summer draws on and there seems little sign of urgency. Terry Byland

Mortgage rate rise for some

Some of the leading mortgage companies decided to push up their interest rates this week to between 14.65 per cent and 14.95 per cent, raising the monthly burden for many thousands of homeowners. Although mortgage companies like Household Mortgage Corporation and National Home Loan Corporation have held their rates down since May, when the base rate increased to 14 per cent, they have now been forced into a rise. Sara Webb

Better rates for savers

Building society rates to savers have begun to edge upwards. This week Skipton Building Society announced that it is to offer interest of 11 per cent net (14.67 per cent gross) on deposits over £1,000 placed in a limited issue account known as the Skipton Fixed Rate Bond. Funds deposited in the new accounts cannot be withdrawn until after June 30 next year. Cheltenham & Gloucester has raised interest paid on its London Share Account, its top-paying postal account, to 10.75 per cent. The account offers savers instant access to their funds, but a minimum investment of £2,500 is required. The account is available as a postal service only though investors can apply for it by calling Freephone 0800-373900. A little unexpectedly, both societies say that they need additional funds from savers for extra mortgage lending. "Our mortgage lending is currently 60 per cent up on a year ago," says Terry Addams, general manager of Skipton. David Barchard

Mixed news on house prices

Average house prices were 26 per cent higher in the second quarter than in the same period last year, according to figures from the Leeds Permanent Building Society. However, it adds that the growth rate is still falling and was very low in the second quarter, with house prices only increasing by 3.6 per cent compared with the first three months of the year. House prices in the south west of England actually dropped 2.3 per cent compared with the previous quarter. SW

LONDON

Summer clouds end a reign of optimism

WAKY, WAKY. Traders awoke from their midsummer night's dream this week to discover that the British summer was back to normal and the British economy is still in difficulty. These traders who sought to swoop on the sun at the traditional summer season events of Wimbledon and Henley found that the May/June hot spell had given way to rain. Another combined London Underground and nationwide rail strike, with further stoppages planned every Wednesday, did nothing to brighten their day.

Meanwhile, traders' enthusiasm for equities was dampened as interest rates rose through-out Europe, with potentially dire implications for sterling - and the OECD predicted that Britain will have the G7's highest rate of inflation and lowest rate of growth in 1989/90.

Early in the week, traders were still enjoying the last leg of a bull phase that had taken the FT-SE 100 index up 120 points since early June. Wednesday's trade figures, which revealed a better than expected May current account deficit of £1.32bn, pushed Footsie up to a post-Crash high of 2205.

However, it did not take much thought to realise that the optimism had been overdone. Inflation is running at 8.3 per cent and has not yet peaked, the trade figures still represent an annualised deficit of £16bn, and sterling is well below the levels which prompted Chancellor Nigel Lawson to increase base rates in May.

The OECD is forecasting that UK inflation will average 6.75 per cent this year and 5.75

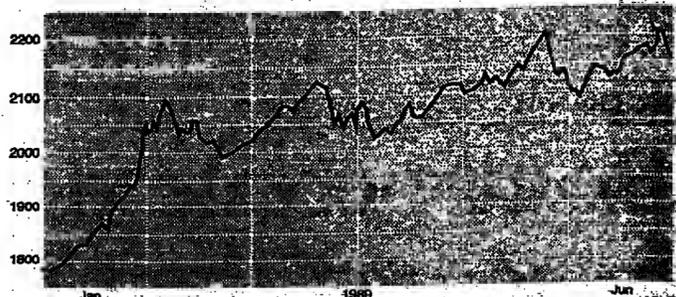
per cent next, whereas economic growth will slow to 2.25 per cent next year after 2.25 per cent in 1989. It may be some time before conditions are right for Britain to join the exchange rate mechanism of the European Monetary System.

On Thursday, the markets were faced with a co-ordinated rise in European interest rates, led by the West German Bundesbank.

The news depressed Wall Street, which was already worried about a US economic slowdown; Tokyo was suffering from the 'prime minister and the gas' political scandal; in the circumstances, it was hardly surprising that Footsie shed 27 points on Thursday and a further 33 points by Friday afternoon.

It was a bad week for a stock market flotation, particularly

FT-SE 100 Index



one of the size of Abbey National, the first building society to convert into a public company. TSB, the banking group which floated in 1986, set a dismal precedent for Abbey when it reported a 22 per cent decline in pre-tax profits on Thursday. Abbey and TSB have some distinct similarities.

But it seems as if the FT marketing programme and an attractive share price has lured enough small investors to make the Abbey issue a success, with indications that it was two times oversubscribed. That should - disasters permitting - allow a healthy premium in the aftermarket.

A successful Abbey float will be a great relief to the Government, which, with the water and electricity industries still to privatise, needs the concept of popular capitalism to thrive. As the sell-off of water in November gets nearer, the size of the offer (which could be as much as £5bn to £7bn) is likely to prey on investors' minds.

All this gloom indicates that the travails of City market makers may be far from resolution. Yesterday, Smith New Court, the former jobber, reported a £12.6m loss in the year to May, prompted by two obviously disastrous trading months in November and December. SNC said that it had cut costs without shedding staff.

If Smith New Court is losing money hand over fist, then what can be happening to many of the lesser market-making names?

An answer was provided on Thursday, when Swiss Bank Corporation shed 90 jobs in London in a cut-back of its market-making operations. SBC had acquired stockbroker Savory Milin in the run-up to Big Bang but the move proved ill-judged - last year, the London investment banking arm lost £21m and Savory Milin lost £8m.

Apart from TSB, the two big results announcements of the week - GEC and RFB - each showed pre-tax profits increases of between 10 and 15 per cent, a respectable but hardly fantastic improvement.

There has been a steady drip of profits 'warnings' from various company chairmen. This week, Interlink Express, the parcel delivery group, and Allied Restaurants, the Wimpy franchisee, joined the list and a number of companies such as Harmony Leisure and Stoddard Sekera also reported losses or lower profits. As the bad news mounts up, analysts will gradually reduce their forecasts for earnings growth and shares will begin to look more expensive.

At least Gateway is providing traders with something to smile about: it seemed for a

while that the retailing group was going to succumb at 210p per share to the Isoceles consortium. But the arrival of Wasserman Perle and the Newgateway group has pushed up the bidding. Newgateway has raised its offer three times and Isoceles has responded by asking Salomon Brothers to value the 'stub' element of its offer.

If you accept the Salomon valuation, Isoceles offer is now worth between 245p and 250p per share, compared with the 242p on offer from Newgateway. But the really good news, at least for speculation, is that if every takeover target can call on the US leveraged cavalry to rescue it, there could be some fancy prices paid in future bids.

Lord Hanson is not renowned, however, for paying over the odds, and the noise coming from both Hanson and Consolidated Gold Fields about this week's talks indicate that a friendly offer is getting closer. Perhaps Hanson will pay 50p or so for the board's recommendation.

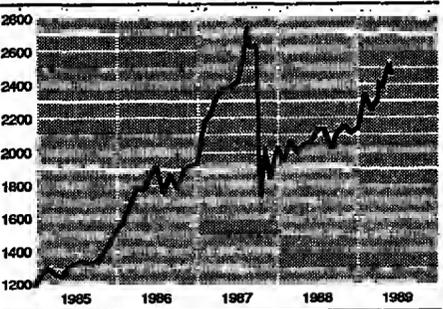
Since that would inject some £2bn or so of Hanson's cash into institutional coffers, there may be some technical support for the market as it enters the second half of the year.

Philip Coggan

WALL STREET

The skeletons still rattle

Dow Jones Industrial Averages



and in the explosive rallies which pushed equities prices to their recent highs.

Second, the 120-point dive in the Dow Jones Industrial Averages since it hit its post-Crash peak last Friday was ominously reminiscent of the 177-point fall in the nine days immediately after the all-time high of 2,732, hit on August 25. That time, the market stabilised around the 2,500 mark and later recovered to within 3 per cent of its peak. The debacle that followed is familiar and the memory of it could make a rapid recovery more difficult this time round.

Despite these parallels, however, the short-term prospects for the market do not seem nearly as dire today as they were in the summer of 1987, for economic and financial fundamentals today are almost exactly the opposite of those that precipitated the 1987

Crash.

In the summer of 1987 interest rates were clearly on the rise, negating one of the main motives forces of the great bull market which began in 1982. The market, however, contented itself for a while with a perfectly reasonable alternative. Equity prices could rise, even though money was getting more expensive, because the growth of corporate profits and dividends was taking off as the economy gathered strength in 1987 and 1988.

Initially, the prospect of growing profits did not prove reassuring enough and stock prices collapsed on Black Monday. However, the rapid growth of earnings and dividends after the Crash did put an unexpectedly solid floor under the market and ultimately powered its recovery.

Today the opposite is true. Interest rates are falling as the

economy appears to weaken; investors are getting nervous as they realise that the heyday of profits growth is over and that many companies' earnings are due for an abrupt decline. Looking a year or so ahead, deteriorating earnings could certainly justify a further fall in equity prices. And a recession, if it occurred, would probably lead to an all-out bear market, matching or even exceeding the losses suffered in 1987.

But for the short-term, speculators who have been powering this year's powerful market rally, there are reasons to suspect that the fun is not over just yet. For, in the short term, the forces of macroeconomic policy, such as interest rates and exchange rates, tend to be far more powerful than supply and demand. Corporate-level influences - as corporate results. At present world financial markets seem to be underestimating the Fed's willingness and ability to stimulate the economy by cutting interest rates and ultimately forcing the dollar much lower. The sudden fall in the stock market is likely, if anything, to force the Fed to act sooner than it might otherwise have done.

If that happened, Wall Street could easily enjoy another surge and approach the records set two years ago. Of course, the stocks that benefited from such a weak-dollar, low-interest rally would be very different from the ones which have powered ahead in the last six months. But that kind of rotation would in itself be a healthy force for the market.

It will only be after the current monetary easing is over that Wall Street will wake again to the dangers of inflation, rather than recession. Only at that point will the policy makers have run out of options, leaving the bears to run wild.

The effects of staff changes were compounded by a major computer breakdown in December. This meant that the company failed to notice a downturn in trade and an overrun of costs at some pubs. The company clearly feels that it has not got the bottom of the matter. "We are continuing to investigate matters with our auditors," says Lever.

Looking ahead, however, Lever is optimistic. "The three year plan we are struggling last year have now been turned round and the company itself is in a very healthy state," he says.

Sales in the first quarter are set to be 27 per cent up on last year and he intends to release another £50m of production in 1989. Even Lloyd, the swift-moving of the big four dealers and a far larger bank than TSB, has to cast nervous glances over its shoulder for predators from time to time.

However, there is no sign at present of anyone even thinking of a bid for TSB. For the time being investors must either bite the bullet, or cut and run.

David Barchard

JUNIOR MARKETS

A hangover at Harmony

SMALL CHAINS of pubs can't find reason to claim to be friendly, local and highly traditional. But an equally accurate, though perhaps less cultivated, image is that they are fast-moving, entrepreneurial and highly vulnerable to staff defections.

This, at any rate, was the picture that emerged this week from the separate but inter-related tales of Harmony Leisure and Tavern Leisure.

Tavern Leisure has just earned a place in the record books through raising £5m in the largest issue yet seen on the Third Market. Dealings in its shares started this week, and by Friday enjoyed a 37 per cent premium to the issue price.

In contrast, Harmony Leisure, a USM-quoted pub and restaurant chain, struck a less happy note when it announced that it had plunged into the red - a fate it indirectly blamed on the defections of staff people who moved to Tavern Leisure.

For Stanley Lever, Harmony Leisure's chairman, it was the first setback of a long career which had included a directorship of Trusthouse Forte.

The problem, he said, resulted from a disruption of financial controls following the departure of more than half the accounts team who left last year to join Tavern Leisure. Harmony also lost Robert Halsey and Geoffrey Rout, respectively finance director and operations director, who had been the chairman and managing director respectively of Tavern.

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life to it and I left it in a strong position," he said. "As a pub and restaurant operator it is second to none."

"He does not want to comment on the 'horrible pickle' that Harmony found itself in after his departure. This, he emphasised, was entirely amicable."

"It was public knowledge that I wanted to go and do my own thing," he says. Tavern originally got off the ground with borrowed money and £500,000 of money raised under the Business Expansion Scheme.

Its flotation has helped it raise funds to expand from its existing base of 11 "oldie" pubs offering real ales and enticing food. "It is a very simple formula. We don't reinvent the wheel," says Robert Halsey.

Another USM company to announce a lurch into loss this week was Craton Lodge & Knight, which reported a loss of £87,000 for the six months to end-March, compared with a profit of £73,000 for the same period of a year ago.

If joined the USM in 1984 as a specialist in new product development. As such, it gave advice to the manufacturer on the appearance and packaging of new products, such as Cadbury's Wispa chocolate bar.

Recently, however, it has taken the view that its existing market of UK companies operating in the UK was too restrictive for long term growth. As a result, it has turned its attention to the Continental Europe and Eastern Bloc markets.

In the USSR, the company has proffered advice both to Soviets trying to export and to Western companies trying to enter the Soviet Union. But although the Soviet policy of Mikhail Gorbachev has undoubtedly provided opportunities, Craton still has to contend with a wealth of political, bureaucratic and currency problems.

The upshot is that the company has suffered significant delays in extracting revenues from its Eastern European operations, which have been burdened with heavy start-up costs.

As a result of the funds needed for the operation, it has taken the view that it needs an injection of cash from another source. Talks are at an advanced stage with a third party, it said.

Whatever the outcome of this transaction, the company can take a certain amount of credit for its pioneering spirit. For shareholders, though, it may not be clear whether that makes up for the lack of material rewards. Thursday's news resulted in the shares slipping 11p to an all-time low of 50p, less than half the original issue price.

Vanessa Houlder

Gloom, but not yet doom, for new-look TSB

THE HOPEFUL thousands who sank part of their savings in the shares of TSB Group when it was floated in 1986 can be excused if they now feel more than a little jaundiced.

Three years on, the share which seemed to promise such great things is worth only 8.5p more than the offer price. Even though the market as a whole has moved up about 20 per cent this year, TSB's performance has remained doggedly flat.

Flat, that is, until Thursday's news that pre-tax profits in the six months to April 30 had slid by 22 per cent. At that point, TSB shares tumbled 6.5p. A further fall could take the shares back down below the issue price.

So a number of unwelcome questions are staring TSB investors in the face. Why has it done so badly? Is its future

performance likely to be even worse? Should losses be cut now, or should one stick to them in hope of eventual recovery and long-term capital growth?

Clearing bank shares are not loved by the market and tend to have p/e ratios well below those of comparable large corporations in other sectors. TSB can of course be acquired of the main reason for this - clearing banks' regular appetite for cash calls from shareholders.

However, this week's results suggested that other problems. Profits from all four of its main arms of activity were down, while costs reached the extraordinary level of 74.7 per cent of income, about 10 per cent higher than the figure which is usually considered acceptable.

Sir Nicholas Goodison, who

took over as TSB chairman in January, did not mince his words. "Our shareholders have every right to expect better results and we are committed to increasing earnings per share significantly," he said.

The former Stock Exchange chairman was able to point to a number of hopeful signs. Since becoming chairman, he has axed a lot of the unnecessary duplication in TSB's group structure, cut the board from 31 to 17 directors, and eliminated more than 100 non-executive directors.

This would suggest that the new, unified TSB is still being created and that the performance of the bank over the last two or three years is no real guide to its long-term prospects once everything is in place, particularly now that Sir John Read, the original chairman, has been replaced

by Sir Nicholas and Don McCrickard, chief executive for banking.

McCrickard is a veteran of retail banking and the man who made American Express's fortune in the UK with the slogan (dreamt up during a dinner at the Wig & Pen Club in Fleet Street) "That'll do nicely." Can he now do nicely for TSB?

There are some signs that he may. Apart from improved management, TSB has invested heavily in better technology and its branch structure is being enlarged and adapted to the new needs of the group. The trouble is that despite all these changes, the second half of the current year may well be even worse for TSB than the first.

Some City analysts predict that full-year pre-tax profits will be around £330m, against

£430m in 1987-88. If that happens, the share price is likely to sag even further.

Sir Nicholas admitted that amid the present high interest rates, prospects not just for TSB but for all its retail bank rivals look fairly gloomy. "The good times are over," he said. "They may return a year from now - or they may not."

Despite all this, there are still analysts to be found who regard TSB shares as a "buy." They tend to agree with Sir Nicholas that TSB still has formidable potential with its large deposit base and steadily improving management team, much of which has only been introduced in the last year and has not yet had time to show its quality through improved balance sheet results.

On this argument, even if the shares are in for a further decline, there is no little point

1500-1100

FINANCE & THE FAMILY

Philip Coggan analyses the performance of UK stocks in the first half of this year
Equities start well - but can it last?

IT WAS a good half-year for investors in UK equities. The FT-SE 100 index rose by 21.7 per cent between January 1 and June 29 and only five out of the top 100 stocks declined in value.

Stock selection was a more difficult matter. Cellular phones, building materials, brewing, tobacco and insurance - all earned a mention in the top 10 performers. Even retailing, the most depressed sector just now, had a representative in Gateway.

Nor could that old standby, takeover speculation, be used as a yardstick. Indeed, Rascal Electronics has outperformed at a time when it has arguably left the ranks of the City's favourite forthcoming takeover targets.

Of the top 10 stocks, only food retailer Gateway was on the end of a bid during the period - it is facing rival offers from the Isocoles investment consortium and the agreed deal put together by American corporate financiers Wasserstein Perella.

Rascal Electronics has benefited from the astonishing performance of Rascal Telecom, the Vodafone cellular communications company which was floated at last year. The parent company retained an 80 per cent stake, which has tripled in value in line with Rascal Telecom's shares. In fact, for a while, the stake was worth more than Rascal Electronics' market capitalisation.

No matter that Rascal Telecom's shares are on a prospective price of more than 90 US investors are happy to value cellular communications companies on a "per pop" basis - that is, market capitalisation per head of population covered. Compared with US cellular companies, Rascal Telecom looked cheap, especially when British Telecom paid a premium price for a 23 per cent stake in US group McCaw Cellular Communications.

All this boosted Rascal Electronics' share price, even though the performance of the rest of the company was disappointing. In

the year to March 31, the collective non-telecommunications businesses suffered a drop in profits and the company says it may sell off its non-core divisions.

British Aerospace's performance owes much to the discovery of "hidden assets" on the balance sheet - the stake in Daf which has been floated in London and Amsterdam, and land acquired through the purchases of Royal Ordnance and Rover. But the shares were also boosted by news of a bumper crop of aircraft orders, which also helped Rolls Royce's share price.

Redland and RMC, as representatives of the building-materials sector, have performed well in the wake of government plans to spend £12bn on motorways and trunk roads over the next 10 years. In addition, both companies are still benefiting from the continued building boom in the commercial sector, and Redland's shares are catching up after a long period of underperformance.

Similar sentiments can be expressed about Hanson and Guinness. Lord Hanson's conglomerate has been re-rated after defying the pessimists who thought it could not continue its long run of earnings growth; the magic formula of buying undervalued companies, selling off the unwanted parts, and then keeping a few key businesses in basic industries, is still working well. Even the bid for Consoil.

The Mifco's decision to block Australia group Elders' £1.5bn bid for S&N caught many by surprise and knocked nearly 25 per cent off the share price in a day.

Similar factors caused the poor share performance of Lomro, Tiny Rowland's international conglomerate. Speculators were drawn into the stock at the end of last year on hopes that another Australian predator, Alan Bond, would use his 20.4 per cent stake as the basis for a bid. But during the first few months of the year,

LEADERS AND LAGGARDS

Best and worst performing FT-SE 100 stocks Jan 1-June 29

Table with 2 columns: Stock Name, % Change. Leaders include Rascal Electronics (+59.3%), British Aerospace (+57.0%), Reuters (+53.8%), Guinness (+53.8%), RMC (+52.1%), Gateway (+49.4%), Rolls Royce (+47.2%), BAT Industries (+45.0%), Hanson (+39.3%), Redland (+38.3%). Laggards include Scottish & Newcastle (-14.9%), Hammerson "A" (-10.5%), Maxwell Communication (-10.1%), Lomro (-6.1%), TSB (-5.7%), Standard Chartered (-0.4%), British Telecom (+1.3%), Royal Insurance (+1.6%), English China Clays (+2.6%), Harrison & Crossfield (+2.8%).

Scottish & Newcastle, the worst performer of the FT-SE 100, owes its decline to the Monopolies and Mergers Commission. The Mifco's decision to block Australia group Elders' £1.5bn bid for S&N caught many by surprise and knocked nearly 25 per cent off the share price in a day.

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Bond was shown to have his own financial problems and it became clear that he would not be able to fund a Lomro offer. Meanwhile, shareholders in Hammerson, the property group, have had scant reward for rejecting a bid from Dutch group Rodamco. The bidders were offering 70p for each "A" share and these have since slumped to around 52.

Robert Maxwell's MCC is also suffering from the aftermath of a bid - in this case, its own successful offer for US publishing group Macmillan. The deal left MCC with heavy borrowings at a time of high interest rates; that combination makes markets nervous.

As among the leaders, there are few common themes in the laggards' list. TSB and Standard Chartered are the two worst-performing banks but even the best performer, Midland, is well down in the bottom half of the list. The market for high street banking business remains fiercely competitive.

Royal Insurance revealed poor first quarter figures - profits were down by a fifth - increasing fears that general insurance companies have passed the peak of the cycle. English China Clays and British Telecom also owe their places in the laggards' list to results that disappointed the market.

The Footsie stocks' performance was rather more uniform than in last year's first half, when a few takeover targets disappointed a rather sluggish market. These five companies showed share price rises of 60 per cent or more (compared with none this year) with the leader, Rowntree, achieving a 139 per cent increase on the back of rival bids from Nestlé and Sarcher.

With Footsie touching a post-crash peak this week, despite a rather gloomy economic outlook, few will be betting that UK equities in the second half can perform as well as in the first.

MEXICO HAS proved far and away the star stock market this year, with a rise of 88.56 per cent in sterling terms or 78.25 per cent in local currency terms.

The main reasons for optimism among investors are the easing of the regulations concerning direct capital investment in Mexico - which aimed to encourage foreign investment - and the fact that some progress has been made on the debt problem recently.

Unfortunately, UK unit trust investors have not been able to benefit from Mexico's stunning performance because few funds invest there. The top performers so far this year among unit trusts have been the Far Eastern and South-East Asian funds, followed by the North American funds which have been helped by the strong dollar.

The recent crash of the Hong Kong stock market has helped to relegate these unit trusts investing purely in the colony to the bottom of the performance table. However, the other South-East Asian markets such as Singapore and Malaysia have surged ahead.

Apart from these unit trusts investing in Hong Kong, the other poor performers so far this year have been the gilt and fixed interest funds.

WORLD MARKETS THIS YEAR

Table with 3 columns: Country, Local currency, % change in value since 1/1/89. Includes Australia (+49.01), Belgium (+10.73), Denmark (+32.77), Finland (+24.82), France (+22.48), West Germany (+19.05), Ireland (+17.99), Italy (+14.48), Netherlands (+24.09), Norway (+51.60), Spain (+15.42), Sweden (+32.17), Switzerland (+20.19), Europe (+18.30), Australia (+5.70), Hong Kong (-4.77), Japan (+9.14), Malaysia (+44.25), New Zealand (+15.51), Singapore (+46.96), Canada (+29.91), USA (+26.39), Mexico (+88.56), South Africa (+44.85), World Index (+19.84).

UNIT TRUSTS PERFORMANCE THIS YEAR

Table with 4 columns: Best 25, % Gain, Worst 25, % Loss. Best 25 includes Prov Capitel Emer Asia (53.0), NM Schroder Sing & Malaysia (48.5), NM Britannia Singapore Asia (48.0), Wardley Singapore & Mal Gilt (47.6), M&A American (44.9), Abnvest Far East Emer Econ (43.5), Henderson Sing & Malay (39.9), MIM Britannia SE Asia (39.1), Fidelity Europe (38.0), Morgan Gren Euro Growth (37.9), Fidelity Sel PPP European (37.8), F&C US Smaller Co's (37.2), F&C US Smaller Co's (36.9), MIM Britannia Gilt (36.6), NM Schroder Far Eastern (36.5), Mercury Amer Gilt (35.3), GT American Special Sits (35.1), M&G Amer SM Co (35.1), Holborn North American (34.8).

Private investor Kevin Goldstein-Jackson looks at the Far East
Take care in Hong Kong

INVESTING in Hong Kong has always seemed to me a bit like waiting for the next earthquake to hit San Francisco: you know an upheaval is on the way, but don't know how bad it will be and how long it will take to recover.

I have had a particular interest in Hong Kong since I worked there in 1973 and became fascinated by its people, culture, and stock market.

But anyone who has travelled to Hong Kong, it has a natural feel for what is on the way, but don't know how bad it will be and how long it will take to recover.

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No to Faking: Financial workers demonstrate in Hong Kong

Or by exporting vast quantities of low liquidity stocks to the West? I still recall one investment in Hong Kong - a relatively modest shareholding in the well-managed newspaper publishing company, Sing Dao. As well as newspapers in Hong Kong, it produces papers for the Chinese communities in Canada, the US, Australia and the UK.

Judging from my observations in London's Chinatown, the recent events in China have caused an upsurge of interest in these publications. Sing Dao also has extensive overseas property interests and, in a way, could be considered an "ethical" investment by helping to keep alive free speech in an area that needs it.

There is also money to be made in following some of the Hong Kong entrepreneurs. Perhaps they could be encouraged to buy, staff and operate British Rail and the London Underground.

It is too soon to write off Hong Kong and China as a suitable place for investment, but caution and speed of action will be crucial.

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IN THE NEWS
A guarantee that's not certain

WHENEVER YOU see the word "guaranteed," it is usually worth taking a second look. Johnson Fry has just introduced an income plan that offers a fixed annual return over the next five years of 11.25 per cent net for standard-rate taxpayers (10.9 per cent for high-rate taxpayers) investing over £20,000.

This is achieved by dividing the total investment into three parts - 45 per cent goes into a series of guaranteed growth bonds and the remaining 55 per cent is split between a personal equity plan and unit trusts. The growth bonds, which are a form of temporary annuity, provide the guaranteed annual "income" at a favourable tax rate, since a substantial element is treated by the Revenue as repayment of capital.

Meanwhile, the remaining 55 per cent invested in the PEP and unit trusts is supposed to grow enough during the five years to replace the capital used up to purchase the growth bonds (and, hopefully, to provide some capital growth as well).

However, that element is subject to the vagaries of the stock market and the management of the investments. So, there is no guarantee that you will get all your money back at the end of the period. A sustained bad performance could mean a loss of capital.

You are not helped by some fairly hefty charges on the equity portion. There is an annual portfolio management fee of 0.75 per cent of the value of the PEP and unit trust holdings, paid over and above the fixed annual charges for unit trusts. There is also a £25 charge for administering the PEP, where you also pay 1.65 per cent on all share deals plus stamp duty and VAT.

THE BANK of Scotland is changing the format of its Self-Select personal equity plan to include a choice of investment trusts as well as unit trusts.

The bank says the change is the result of feedback from investors who are becoming more interested in investment. It is also changing its Self-Select personal equity plan to include a choice of investment trusts as well as unit trusts.

Unlike some other groups, Touche Remont allows lump sum investments of anything between £500 and £2,000, as well as a regular savings alternative with a minimum of £25 monthly. There are no additional costs above the standard unit trust charges.

that, previously, UK investors have often been persuaded to invest in products offering tax advantages but providing uninspiring results because of high charges and poor performance.

On this occasion, he believes there is "simply too good case for every unit trust saver or investor, regardless of size, not utilising the PEP opportunity to build a tax-sheltered portfolio."

Edisul & West Building Society has linked up with Morgan Grenfell to add a PEP to the range of options borrowers can use to repay mortgages.

NOW FOR the "cashless" mortgage. That is the latest scheme dreamed up to help hard-pressed borrowers and launched this week by Panmure Gordon Bankers in conjunction with the Scottish Widows life company.

The idea is to smooth out the peaks and troughs in the cost of mortgages by fixing a base of 12 per cent and adding or subtracting to that figure according to the variations in the prevailing rate to reach an average between the two.

Thus, the present rate under the new scheme is 12.75 per cent: the difference between 12 per cent and the prevailing rate of 13.75 per cent is charged by the four leading lenders: Abbey National, Halifax, Barclays and National Westminster.

This is a useful saving at present; but if the prevailing rate was to drop below 12 per cent to 10 per cent, for example, then the average would be at a premium rate of 11 per cent.

While this averaging might smooth out the cost of your mortgage, the scheme does not offer a lot of protection since it ceases to operate if the prevailing rate goes above 14.5 per cent or falls below 9.5.

If that happens, the prevailing rate applies until such time as it comes back into the 9.5-14.5 per cent band. The averaging scheme operates for only the first five years of the mortgage, but you face a redemption fee of 1.5 per cent of the total value of the loan if you pull out during that period - unless you take out a new mortgage with the bank.

The scheme is claimed to combine the stability of a fixed rate deal, with the flexibility of a floating rate.

However, taking a base rate of 12 per cent could be unduly pessimistic over a five-year view and, at the same time, you don't get the main attraction of a fixed rate: the knowledge of exactly how much you are committed to pay.

So, in some ways, you get the worst of both worlds.

John Edwards

US dinosaurs return to life

ONCE DUBBED the dinosaurs of the investment scene because of their lacklustre track record, North American unit trusts have suddenly started turning in sparkling performances. This sector in the unit trust league has shown a steady gain of 11 per cent in May alone and a 38 per cent increase in the six months to June 1, helped largely by the rise in the value of the dollar. The top five funds over a year are shown in the accompanying table.

Only a month or two ago, the US was regarded with caution. There were predictions of recession and warnings that the dollar's surge in value could not last. The view among the more bullish fund managers now is that although there are a few hiccups in the next few months, the US is the place to be over the longer term.

One of the most evangelistic of the American market's supporters is Martyr Arbib of Perpetual, who thinks he has "identified the turning point" where the US takes over from Japan as the world's most promising market. "We are possibly now at the end of an era. There could be a bumpy ride should money flood into US assets. The sterling investor could make at least 70 per cent in the next three years," claims Arbib. Perpetual's American Growth fund has a steady history of being in the top quartile. In the year to June 1 it ranked 17th, with an increase of 42.1 per cent.

There is certainly a long and persuasive list of reasons at present for investing in Amer-

ica. The fund managers interviewed felt that the US was much more in control of inflation than the rest of the world, thanks to tight management of the money supply over the last few years. And while there are some signs of a slowdown in the US economy, few believe that the effects of this could be disastrous.

David Soden, manager of M&A American, thinks that cyclical industries might suffer in a slowdown "but there would not be the problems of previous slowdowns, when earnings collapsed." Soden can imagine a short-term setback, but thinks that the impetus given by investors wanting to buy into the US will probably prevent it from happening.

The weight of money argument is a powerful one. After many years of underperformance from the sector, investors are very underweight in US stocks. If the institutions decide to increase their exposure dramatically, the market could leap ahead. At the same time, the supply of equities in the US market has declined

significantly, due to takeovers and companies buying back their own stock. In 1988, the US market shrank by \$105 bn.

Part of the interest in America now stems from the fact that it has been out of favour for so long. After recent events in China, even the political stability of the US is seen as a positive factor. Inflation is likely to peak this year and could, in Arbib's view, be lower in 18 months than the rates in Japan and Germany.

The rise of the dollar has exceeded most expectations and appears to have taken on a life of its own. The dollar has become a firm currency, claims Arbib, and could rise by another 15 per cent against the pound. Soden, although a little more cautious, also thinks the dollar will remain strong. While it might not rise much over 18 months against the yen and the DM, it should enhance the sterling investor's holding by showing continuing strength against the pound. Gary Lowe, manager of Fidelity American, agrees. He thinks the view that the dollar must crash is mistaken and

expects it to remain strong for "longer than the consensus."

Most US trusts have done well in absolute terms over very short periods recently. However, Gartmore Hedged American has been one of the poorest performers (as might be expected) since its policy of being almost entirely hedged has wiped out the currency gains. The sectors which have proved successful include smaller companies, financials (which benefit from lower interest rates) and telecommunications.

Given the performance figures which have been seen over the last few months, is it too late to get in now? Soden thinks that those who forecast a recession are wrong. He expects falling interest rates towards the end of the year to be followed by a market rally. For Lowe, it depends on the investor's time horizon. In his view, the shorter-term investor should go in only with caution. But for the long-term investor, "the game is not yet over."

Christine Stopp

Sara Webb examines what you'll be charged for deals
Where to sell Abbey shares

ARE YOU going to sell your Abbey National shares as soon as you receive them? If so, there are several brokers, brokers and building societies crying out for your custom with what they claim are their special rates - including group and family deals.

Remember, though, that some of the profit you make on shares you have bought, or received free, could be wiped out by the dealing commission if you are not careful about who you sell through.

Abbey National's postal share sale service is at the lower end of the scale when it comes to commission charges. But the main problem is that you have to entrust your certificates to the vagaries of the Royal Mail.

Therefore you cannot fix the sale price beforehand or guarantee that the shares will be sold at the price they were posted to Sharelink, using the forms provided.

This seems a strange arrangement, bearing in mind that British Telecom is a majority shareholder in Sharelink, although there is a telephone information service provided.

If you want to know the exact price your share will fetch, it is much better to sell them through a stockbroker, or one of the main building societies.

Indeed, some of the stockbroking firms are undercutting Abbey with commission rates as low as 10 and, in many cases, you can reduce the per capita cost by lumping together your shares with those of your friends or family. Alternatively, Barclays Bank customers can take their shares to any branch and sell them immediately over the

counter. Non-customers may also be able to use this service, although Barclays says it will leave the decision on this to managers of local branches.

However, both customers and non-customers can use National Westminster's "housecall" dealing service, which is available at over 200 branches. You receive a contract note and a cheque on the spot.

At the bank's other branches, NatWest customers alone can use a telephone buying and selling service.

The Stock Exchange has prepared a list of firms which are willing to deal in small batches of Abbey National shares. The following brokers, banks and building societies are offering special rates for Abbey shareholders who want to sell their holdings, in some cases for a limited period of time. Remember that you have to add VAT to the commission in each case.

Abbey National: £15 for shares worth up to £1,000, with deals for up to four members of the same family, whereby you pay a commission of £12, plus £1.50 for each additional certificate.

Abbey National Sharelink provides a telephone price information service and telephone buying service, but no

telephone sales service. You have to sell through the post, which means you do not know the exact price your shares will fetch.

Norwich and Peterborough Building Society (in conjunction with stockbroker Waters Limited): £10 a deal (including deals for up to four members of the same family).

Cheltenham & Gloucester Building Society: Commission-free dealing during July (could be extended) if you have at least 25,000 invested in its Gold Account. Otherwise, there is a minimum commission of 2.4.

Barclays: Nationalwide dealing service charging £12.50 for up to £1,000 worth of shares for "over the Barclays counter" sales. Up to 25,000, commission rate of 1.25 per cent applies. No family or group deals.

NatWest: Minimum commission of 2.15 for transactions up to £1,000. Deals for up to five members of the same family so long as all the certificate-holders have the same surname and address. You can use NatWest's "housecall" dealing service (available at certain branches) for selling or buying between 50,000 shares. NatWest customers only can buy or sell over the counter at any branch.

National Investment Group: £12 minimum.

Walker, Crips, Weddle, Beck (London 01-263 7602): £12 on up to £1,600 worth.

UK & General Securities (London 01-385-9050): £10 (this can be split between up to three members of the same family each selling their initial batch of shares).

PERFORMANCE OF US UNIT TRUSTS (Offer-to-bid, income reinvested, over periods to 1.6.89)

Table with 5 columns: Top five trusts over 1 year, % Growth, 6 months, 1 year, 3 years, 5 years. Includes M&A American (60.2, 56.0, 25.7, -), F&C US Smaller Cos (45.5, 55.2, 7.0, 71.0), Fidelity American (43.5, 49.5, 26.7, 114.8), Henderson North American (40.7, 48.9, 58.2, 58.2), Mercury American Growth (38.1, 47.7, 110.3, 124.5), Dow Jones (17.3, 22.1, 32, 124.5), Sector average (38.0, 34.8, 4.8, 67.6).

ica. The fund managers interviewed felt that the US was much more in control of inflation than the rest of the world, thanks to tight management of the money supply over the last few years. And while there are some signs of a slowdown in the US economy, few believe that the effects of this could be disastrous.

David Soden, manager of M&A American, thinks that cyclical industries might suffer in a slowdown "but there would not be the problems of previous slowdowns, when earnings collapsed." Soden can imagine a short-term setback, but thinks that the impetus given by investors wanting to buy into the US will probably prevent it from happening.

The weight of money argument is a powerful one. After many years of underperformance from the sector, investors are very underweight in US stocks. If the institutions decide to increase their exposure dramatically, the market could leap ahead. At the same time, the supply of equities in the US market has declined

significantly, due to takeovers and companies buying back their own stock. In 1988, the US market shrank by \$105 bn.

Part of the interest in America now stems from the fact that it has been out of favour for so long. After recent events in China, even the political stability of the US is seen as a positive factor. Inflation is likely to peak this year and could, in Arbib's view, be lower in 18 months than the rates in Japan and Germany.

The rise of the dollar has exceeded most expectations and appears to have taken on a life of its own. The dollar has become a firm currency, claims Arbib, and could rise by another 15 per cent against the pound. Soden, although a little more cautious, also thinks the dollar will remain strong. While it might not rise much over 18 months against the yen and the DM, it should enhance the sterling investor's holding by showing continuing strength against the pound. Gary Lowe, manager of Fidelity American, agrees. He thinks the view that the dollar must crash is mistaken and

expects it to remain strong for "longer than the consensus."

Most US trusts have done well in absolute terms over very short periods recently. However, Gartmore Hedged American has been one of the poorest performers (as might be expected) since its policy of being almost entirely hedged has wiped out the currency gains. The sectors which have proved successful include smaller companies, financials (which benefit from lower interest rates) and telecommunications.

Given the performance figures which have been seen over the last few months, is it too late to get in now? Soden thinks that those who forecast a recession are wrong. He expects falling interest rates towards the end of the year to be followed by a market rally. For Lowe, it depends on the investor's time horizon. In his view, the shorter-term investor should go in only with caution. But for the long-term investor, "the game is not yet over."

Christine Stopp

IV WEEKEND FT

RESULTS DUE

Company	Announcement Date	Dividend (p)	Last year	This year
FINAL DIVIDENDS				
AAM Holdings	Wednesday	3.8	6.824	4.0
Associated British Eng.	Tuesday	0.03	0.03	0.03
Baker Hughes	Thursday	2.25	4.0	3.0
Barratt	Thursday	1.0	1.0	1.0
Bentley	Monday	2.4	5.6	2.85
Boston-Edwards	Friday	0.0	2.5	1.7
Burtonwood Brewery	Wednesday	0.0	2.5	0.7
Carroll Engineering Group	Monday	1.1	3.8	1.85
Design Holdings	Thursday	6.0	12.0	8.0
Dominion International Group	Thursday	2.5	3.0	2.8
Empire Stores (Bradford)	Tuesday	1.6	3.6	1.0
Ferapak	Monday	4.0	6.0	4.0
Fitch Lowell	Thursday	2.0	4.0	2.0
FPC Group	Thursday	2.0	4.0	1.5
Fort Sellar Morris Properties	Monday	1.0	1.5	1.5
Fuller Smith & Turner	Thursday	1.32	3.8	1.85
Genov	Monday	2.5	3.0	2.7
Hogg Robinson	Monday	1.5	1.5	1.5
Hollis Group	Wednesday	2.4	3.0	2.4
Israel Jack	Monday	1.0	1.0	1.0
Lebar & Company	Tuesday	1.0	3.0	1.0
Morse Trust	Tuesday	1.0	1.0	1.25
Nobe Group	Monday	1.78	3.52	2.2
Patridora Group	Monday	1.0	1.0	1.0
Peel Holdings	Thursday	1.75	3.5	3.0
Peel Group	Monday	1.5	2.0	2.0
Real Time Control	Friday	1.0	1.0	1.0
Ross Catterall	Tuesday	1.0	1.0	1.0
Ross Evans Investments	Wednesday	1.0	1.0	1.0
Scott Piffard	Tuesday	2.7	6.4	3.1
Scott & Newcastle Brew.	Tuesday	2.7	6.4	3.1
Southwest Resources	Monday	0.5	0.85	0.5
Stirling Group	Monday	0.5	0.5	0.5
Textured Jersey	Monday	2.5	4.5	2.5
St	Tuesday	3.5	5.9	3.5
Tomlin Riv	Wednesday	0.48	1.0	0.5
Tops Gates	Friday	0.48	1.0	0.5
INTERIM DIVIDENDS				
Bedechem Group	Monday	1.0	1.0	1.0
Cherwell (UK)	Tuesday	1.5	2.1	1.5
Dunlop Printing Sciences	Thursday	3.5	4.0	3.5
First National Finance Corp.	Monday	3.5	4.0	3.5
Kleinwort Benson Gilt Fund	Monday	3.4	5.1	3.4
Meridian Energy	Monday	3.4	5.1	3.4
Owners Abroad	Monday	3.4	5.1	3.4
Southern Business Group	Tuesday	2.2	3.8	2.2

*Dividends are shown net of tax and are adjusted for any intervening scrip issues.

PRELIMINARY RESULTS

Company	Year	Pre-tax profit (£000)	Earnings per share (p)	Dividend (p)
Alexander Walker	Mar	2,280 (8,510)	0.2 (1.5)	0.0 (0.0)
Amey	Mar	5,710 (4,000)	0.8 (0.6)	0.0 (0.0)
Anglo United	Mar	6,850 (5,195)	4.0 (2.28)	1.2 (1.0)
Asprey	Mar	18,260 (16,036)	23.0 (21.3)	5.45 (4.75)
Avenco	Mar	5,370 (3,181)	10.3 (5.39)	1.125 (0.75)
Barton Group	Mar	12,680 (7,280)	10.3 (7.08)	3.25 (2.5)
Berkley Group	Apr	22,110 (17,700)	34.2 (28.2)	4.5 (3.5)
Bimac Industries	Mar	704 (868 L)	1.1 (-)	0.0 (-)
BPS Industries	Mar	202,300 (182,252)	32.2 (28.8)	10.75 (8.0)
Broad Street	Mar	2,430 (565)	4.0 (1.16)	1.5 (1.1)
Brookmount	Mar	1,400 (2,210)	19.2 (31.8)	7.0 (6.5)
Budgens	Apr	16,400 (13,500)	14.3 (-)	6.67 (3.5)
Bulfinch AF	Jan	781 (712)	1.9 (1.58)	0.2 (0.2)
Caledonia Inv.	Mar	25,570 (12,590)	19.6 (9.11)	10.0 (7.0)
Campbell & Arma.	Mar	3,030 (1,500)	17.5 (8.5)	4.95 (4.5)
Carroll Int'l.	Mar	12,300 (8,400)	27.6 (18.8)	8.0 (5.75)
Courts	Mar	10,230 (10,040)	24.7 (24.0)	5.0 (4.82)
Cranwell Mill	Mar	670 (653)	6.5 (7.8)	5.55 (5.55)
Crawley James	Mar	4,120 (1,740)	24.3 (14.3)	3.5 (2.9)
Davy Corporation	Mar	28,840 (16,540)	21.2 (7.4)	8.5 (6.25)
Debenham Tows.	Mar	5,950 (5,370)	5.5 (5.2)	4.0 (3.5)
Dowry Group	Mar	78,100 (64,100)	21.0 (18.7)	8.0 (7.0)
Elec & General	May	1,890 (1,610)	3.25 (-)	2.05 (1.75)
Equity & General	Dec	793 (474)	3.25 (1.58)	1.5 (1.35)
Fletcher JAC	Apr	2,620 (2,240)	21.5 (16.4)	10.8 (7.25)
FSIC	Mar	797,000 (708,000)	19.2 (16.8)	6.5 (6.5)
Gold Greenleaf	Apr	5,150 (3,240)	28.3 (21.1)	7.5 (5.4)
Goodman Group	Jan	894 L (143)	0.0 (-)	0.0 (-)
Gresham House	Dec	1,980 (512)	11.5 (10.2)	6.8 (6.0)
Greycoat	Mar	21,700 (17,100)	23.4 (19.5)	4.5 (4.0)
Haines	Apr	1,130 (1,080)	2.8 (-)	2.19 (1.64)
Harmony Leisure	Mar	127 L (-)	0.0 (-)	0.16 (0.14)
Imbstock	Mar	488 (-)	8.9 (-)	1.7 (0.3)
In Shoppe	Mar	2,280 (1,300)	6.3 (4.3)	1.7 (0.3)
Kovell Systems	Mar	1,610 (1,110)	19.7 (13.1)	3.0 (2.2)
Lovell	Mar	6,230 (4,210)	7.1 (7.8)	1.0 (0.5)
Martling Indst.	Mar	7,540 (5,504)	16.2 (14.0)	4.0 (3.9)
Microtec Group	Mar	1,650 (1,300)	10.2 (8.75)	3.3 (-)
MS International	Apr	4,570 (3,873)	10.7 (11.1)	3.98 (3.3)
Parfield Group	Apr	25,160 (15,150)	34.2 (24.2)	2.0 (1.7)
Swallow	Mar	13,520 (8,520)	12.0 (8.1)	3.0 (2.5)
Shanks & McEwan	Mar	13,520 (8,520)	44.2 (38.7)	19.0 (15.5)
Stanco Exhibit.	Apr	2,010 (917)	2.6 (1.8)	1.0 (0.4)
Seas & Simpson	Mar	10,910 (8,942)	14.0 (11.8)	5.8 (4.8)
Sterling Indst.	Mar	1,950 (910)	5.5 (5.11)	4.0 (3.4)
Stewart	Mar	1,380 (820)	7.8 (-)	0.1 (-)
Stirling Speck.	Mar	1,890 (1,617)	7.8 (6.1)	2.0 (2.0)
Swan John & Sons	Apr	317 (204)	30.9 (20.6)	12.0 (10.5)
Tamaris	Mar	270 (109)	0.54 (1.54)	2.0 (-)
Unit Group	Mar	1,610 (1,110)	19.7 (13.1)	3.0 (2.2)
United Ind.	Apr	2,880 (1,670)	17.5 (18.1)	5.0 (4.2)
Virtus Group	Mar	4,870 (3,800)	14.9 (11.5)	4.9 (4.0)
Wagon Industrial	Mar	15,250 (9,180)	33.7 (28.3)	14.0 (12.0)
Watergate Int'l	Mar	8,800 (4,800)	18.8 (13.4)	4.5 (4.0)
Waverley Cameron	Mar	2,710 (2,150)	3.0 (2.89)	1.0 (0.28)
West Industries	Mar	532 (174)	1.74 (1.32)	1.0 (1.0)
Whitecroft	Mar	15,370 (12,102)	31.5 (25.8)	13.8 (11.5)
Wilshaw	Mar	1,750 (1,100)	1.85 (1.13)	0.2 (-)
Wyndham Group	Mar	3,200 (1,200)	51.8 (35.5)	4.5 (3.0)
Yellowhammer	Mar	2,700 (2,200)	17.8 (13.7)	3.3 (2.5)

(Figures in parentheses are for the corresponding period.)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends per share (p)
Airtours	Mar	3,950 L (4,000 L)	1.5 (1.35)
Aukett Associates	Mar	700 (503)	1.25 (-)
Blick	Mar	2,480 (2,140)	2.4 (2.0)
Clyde Blowers	Mar	650 (580)	0.83 (0.83)
Clyde Lodge	Mar	587 L (73)	0.7 (-)
Economic Forestry	Apr	1,240 (1,370)	1.25 (1.27)
Edridge Pope & Co.	Apr	1,950 (1,990)	1.75 (1.8)
Exec. Data Process	Mar	373 (81)	0.7 (0.65)
Eurocity	Mar	620 (1,060)	0.1 (-)
FF-Phyfe	Apr	8,330 (6,350)	0.4 (0.36)
Gesthler	Apr	16,200 (12,800)	1.6 (1.0)
Hardy & Hanson	Mar	2,480 (2,190)	9.4 (7.2)
Imtec Group	Dec	2,850 L (1,640)	0.1 (-)
Leisuretime Int'l.	Apr	1,150 (1,380 L)	0.1 (-)
LPA Industries	Mar	348 (303)	1.5 (1.4)
SEI Industrial Hidge	Mar	410 (520)	0.0 (0.3)
ScottTrac	Apr	417 (320)	0.85 (0.7)
TSG Group	Apr	164,500 (122,100)	2.85 (2.58)
Visteo Group	Apr	1,190 (-)	0.1 (-)

(Figures in parentheses are for the corresponding period.)

RIGHTS ISSUES

Bendon Group to raise £16.1m via a 1-for-4 rights issue at 170p.
 Starting Industries to raise £2.8m via a two-for-five rights issue at 130p.
 TGI to raise £2.5m via an issue of 5.7m ordinary shares.
 Avenco to raise £12.2m via a 1-for-four rights issue at 125p.
 London Securities to raise £23.5m via an issue of 24.2m cumulative redeemable convertible preference shares of 25p each.
 Steels to raise £20.7m via a novel issue of 4.75m shares at 438p through the Paris stock exchange.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Cable Goo to join the Third Market in Dublin via a placing which will raise £1.0m.
 Company to join the USA via a placing of 2.1m shares at 70p.
 Essor Holdings to join the USA via an introduction.
 Richmond Oil to join the main market via an offer-for-sale that values the company at £88.5m.

MAXIMUM INCOME ACCOUNT	MAXIMUM INCOME ACCOUNT	MAXIMUM INCOME ACCOUNT	MAXIMUM INCOME ACCOUNT
ACCOUNT	ACCOUNT	ACCOUNT	ACCOUNT
ACCOUNT	ACCOUNT	ACCOUNT	ACCOUNT
10.15% (net p.a.)	10.4% (net p.a.)	9.65% (net p.a.)	8.90% (net p.a.)
13.53% (gross)	13.86% (gross)	12.86% (gross)	11.87% (gross)

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FINANCE & THE FAMILY

THE WEEK AHEAD

A feast of fluctuating fortunes

SOME OF next week's stocks are in better shape than they once were, and some have managed to recover and subside yet again. The past year or so, with its rising interest rates and their intermittent effect on the consumer economy, has shaken the market's confidence in one or two corporate rebuilding programmes.

The week opens with Monday's interim results from First National Finance Corporation, a company which saw the secondary banking crisis take its toll on its share price. The company did not leave the board until 1988.

FNFC has done well. It returned to the dividend list early in 1988 and trebled its profits to £8m before tax in the three years to October 31, 1988. Wayne Gerry of Kleinwort Benson Research expects it to report a 15 per cent rise to £9m at half-time, and is keeping his full year forecast at £7m against estimates of £9m by some analysts.

Unfortunately, its shares have come back a bit in the past 12 months. Gerry expects a note of caution in the interim statement, reflecting the effect

of high interest rates on consumer confidence. However, he says, FNFC's bias towards variable, rather than fixed lending, should shelter it from the adverse impact of higher rates on profit margins.

The FNFC results coincide with Monday's economic statistics, final retail sales and credit business for May. Peter Spencer, an economist with Shearson Lehman Hutton, expects the retail sales to confirm the 2 1/2 per cent rise seen in provisional estimates; credit business, judging by figures from the clearing banks and building societies, is also expected to be resilient.

As a mail order house, Empire Stores is in the credit retail business, and it brings his full year results out on Tuesday. However, John Williams of Citicorp Scrimgeour Vickers, the company's stock-clearing agent and the Bank of England, 81 specialises in venture capital for unquoted businesses; until early in 1988 there

was much talk of a stock market flotation.

S&N, under threat of a takeover by the Australian group, Elders IXL, made a share price of 480p at the beginning of March, and a low of 24p after the Monopolies and Mergers Commission blocked the Elders bid. Barclays de Zoete Wedd expects S&N's profits to rise from £115m to £137m for 1988-89 and say that the results are secondary to speculation about the potential for S&N in a deregulated UK beer market; about ideas of releasing value to shareholders from the Thistle Hotels subsidiary; and about the possibility of accelerated growth prospects (or high acquisition costs) in theme park investment.

Ten years ago, Fitch Lovell was one of those food companies whose profits went up and down on a cyclical basis and whose share price was frequently sustained by long-standing takeover talk. Linford bid for it in 1982, and the situa-

tion was resolved in 1983 when the same company was an "auction" of Fitch's Kaymar's retail operation.

Subsequently, Fitch produced an excellent string of results with pre-tax profits rising from £33m to £28m over the six years to April 1988; analysts have been expecting £32m for 1988-89 next Thursday, but Richard Workman of Hoare Govett has recently edged his estimate back to £31m.

He thinks that the company's expansion in distribution, via the UYC acquisition from Guinness, may have brought it into integration problems in the supply of prepared foods to major retailers; it may have lost some business to competing suppliers; and that it may have seen its performance affected by the historic sales at the turn of the year.

Thursday also brings representatives from the property industry, in the shape of Peel Holdings - the retail warehouse developer which went to

town with the acquisition of London Shop Property last year - and City of London agency which has been busily diversifying since the 1987 market crash, into the West End of London, and New York.

Peel made an expensive meal of the London Shop acquisition, the more expensive because it paid a high price for a company as big as itself. It made a rights issue at 300p, supported by its big shareholders, to pay for some of it; its shares have been in the 200p region and most shareholders will be looking for evidence that the acquisition is beginning to pay off.

Off the dividend list on Thursday, BST's shareholders' relations badwagon calls at Birmingham. On the same day, all ten of Britain's water authorities are expected to announce their results simultaneously for the year to March 31. This will be the last full year before privatisation, and 1988 has been a quiet time for the new issue market. The authorities are expected to announce their results simultaneously for the year to March 31. This will be the last full year before privatisation, and 1988 has been a quiet time for the new issue market. The authorities are expected to announce their results simultaneously for the year to March 31. This will be the last full year before privatisation, and 1988 has been a quiet time for the new issue market.

William Cochrane

Heather Farnbrough meets an enthusiastic champion of small companies
 Busy spell for an investment wizard

IF JOHN ALEXANDER were not a fund manager, he says he would be a cabinet-maker. He doesn't look like a fund manager either, having considerably more and less tidy hair than most. But he does pass convincingly for the wizard-kid who is regarded as one of the top small company fund managers in the UK.

Minutes before our interview, Alexander had heard that the British Steel Pension Fund, which recently acquired Edinburgh Fund Managers' Smaller Company International Investment Trust, had lifted its stake in Touche Remnant's Trustees Corporation to 15.4 per cent. In other words, there is clearly a powerful potential predator looking over Alexander's shoulder.

Trustees Corporation is Touche Remnant's biggest small company vehicle, worth £320m with 230 British holdings. It currently stands on a 15 per cent discount to net asset value, which is line with other small company trusts.

Alexander, 30, is clearly proud of it. But the trouble with investment trusts, for the manager, is that their discount attracts predators, particularly when the trust belongs to the Touche Remnant stable, which lost four of its ten trusts between late 1987 and summer 1988 before being taken over by Societe Generale, the largest private sector bank in France.

Losing Trustees Corporation

would be quite a blow for Alexander, although he also manages two unit trusts - TR Special Opportunities and TR Smaller Companies, worth £55m and £25.5m respectively. The beauty of a small company investment trust, as opposed to a unit trust, is that it is not subject to redemptions which force the manager to liquidate large parts of his fund suddenly. Selling small companies fast is always hard as they tend to be unmarketable, so the effect of redemptions is often to force the manager to sell the more marketable - and therefore better - stocks, with no benefit to other shareholders.

Despite the shadow of Societe Generale, Alexander is as enthusiastic as ever about smaller companies. As the Hoare Govett Index of smaller companies has proved, they do perform better than larger ones over long periods, their dividend growth is superior, and, contrary to popular assumptions, they are less volatile.

Over the second half of 1988, however, small companies went off the boil. "It began to get acute by November. In January, the Financial Times All-Share index was up by much more than the smaller companies. But small companies have recovered a little over the first few months of the year, and that's the first month of the year, Special Opportuni-

ties rose by 20.2 per cent and Smaller Companies by 20.9 per cent against an index rise of 17.8 per cent. While this is a short period over which to compare performance, it's an encouraging sign."

Since the crash, smaller companies have found it harder to raise money, and investors have found the market

ably better off in an unit or investment trust.

A predictable answer, perhaps. Yet what if the private investor does know what is going on in, for example, a local company where he knows the products and markets well. Should he not have a double?

Yes, but those can often go sour. It's what I call the golf course syndrome," he replies. "Because if an investor knows a director well, they're often great mates. I build up a working relationship, but I don't build in love, otherwise I would lose my objectivity. Often the friend of the director won't take the time to take out the balance sheet and have a look at it - and it can all go wrong."

"Am I bullish? I think we're going to have high interest rates till the end of the year and I think that the economy is cooling quickly. But interest rates will not go lower. Small companies have the 1980s been a product of Thatcher's Britain; companies with a short history which have operated well in boom times."

If so, it is difficult to avoid the conclusion that it is not the best of times for small companies, and that unit or share-holders may have to sit tight for a while. Unfortunately for Alexander, this could give the British Steel Pension Fund the buying opportunity it has been seeking.

John Edwards

Hong Kong: only the bold need apply

PERSUADING THE public to invest in Hong Kong at the moment can at best be described as imprudent and at worst as virtually criminal. Intermediaries making such recommendations could be in trouble with the "best advice" requirements under the Financial Services Act.

Yet this is precisely what Matheson Unit Trust Managers are expecting intermediaries to do with its new unit trust launch - the South East Asia fund - which will initially hold 15 per cent of its portfolio in Hong Kong. But who should know better about events and prospects in Hong Kong than the managers' parent group, Jardine Matheson, which has been there for 160 years?

First, the fund's investment manager, Simon Hallett of Jardine Fleming, emphasises that this is a South East Asia fund and investors should look at the 85 per cent of the portfolio invested in other countries in the region outside of Hong Kong. He is extremely bullish about prospects in the region, particularly in Singapore (22 per cent of the portfolio), Malaysia (26 per cent) and Thailand (15 per cent). Hallett forecasts unparalleled economic growth in the Newly Industrialised Countries (referred to as NICs) developing into the workshops of the world for the 21st century.

Second, he is not entirely bullish about the Hong Kong market itself. He feels that the stock still look cheap and that growth in Hong Kong economy will continue, albeit at a lower rate.

Initially, the fund will concentrate on defensive stocks. However, being close to the market, the managers are well placed to take quick advantage of the situation should conditions settle down in mainland China.

"There is no reason why this fund should not do well over the long term. However, South East Asian stock markets are highly volatile and likely to remain so. Therefore investors must be prepared for a bumpy ride. It is not a fund for the nervous investor and will need close monitoring. Minimum investment is £1,000 and the charges are 6 per cent initial and 1.5 per cent annual - a little on the high side."

Eric Short

AIDS policy offered

PEOPLE WHO stand the risk of becoming HIV positive through sexual contact can now obtain substantial cover against HIV infection following the launch of a new insurance contract.

The policy was developed by the Lifeshield Foundation (an AIDS charity) and Lloyd's underwriters Layton Blackham, and provides the following benefits:

- cash payments of up to £75,000;
- the cost of legal expenses up to £15,000, including £500 immediately to meet any initial legal costs; and
- a five-year treatment programme costing up to £10,000.

These benefits are available without the individual having to provide medical evidence or a blood

FINANCE & THE FAMILY

Son inherits a joint account

IN 1973, my father and I opened a joint bank account (on a survivorship basis) for the purpose of buying and selling shares. In recent years his share dividends, pension, rent for land which he owned, and proceeds from encashment of savings certificates in his name were paid into the account. I have not paid money into the account or made any withdrawals.

The Revenue's reply was to the effect that there are no provisions for allowing relief on policy losses and the age allowance computation for 1986-87 is confirmed to be correct. The salesman who induced you to take out the single-premium policies ought to have warned you that, while gains on these can indeed attract the age surcharge (in the hands of basic-rate tax payers), there is no relief for losses. If you are quite sure that the salesman did not warn you about this tax disadvantage of single-premium policies, you might wish to pursue the matter with the company (and possibly to arbitration).

This raffle is unwise

MY HOUSE has been on the market for some months and, having just bought some raffle tickets, I wondered if it would be possible to raffle it. Do you have any idea of the procedure? It is not usual to offer real property in a raffle. You would have to set the terms yourself (no doubt with your solicitor's assistance) but we do not advise such a procedure. Remember that it will shortly be necessary to have the whole contract for sale set out in writing.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Loss of age allowance

THE INLAND Revenue gave me no age allowance for income tax for the year 1986-87, due to the fact that I had made a substantial gain when cashing in an endowment policy. I wrote to the Revenue, pointing out that I had made losses on single-premium policies with a certain insurance company. I was under the impression that these losses would be subtracted from the gain I had made in computing how much age allowance I would receive.

Housing dilemma

MY MOTHER, who died in 1983, lived with my sister. Both were widowed. They owned their house jointly with 50/50 interests as tenants in common. My sister still lives in the same house. My mother left half her estate to my sister and half to me. It seemed sensible at the time for my sister to take income-producing securities and for me to take my mother's half interest in the house, which is how matters were dealt with. No rent is paid to me and I contribute 50 per cent of the rates and of maintenance. My sister, who is beginning to suffer from arthritis, now thinks of moving to a smaller house but needs the value of my half share to remain at her disposal. I am happy for it to be rolled over into a new house for her occupation but wonder if, on a sale of the present house, I would be able to be charged with an immediate realisation. The value could be double the probate value. It is my sister's only real-

Information withheld

I HOLD shares in a small limited company. For the past three years or so, I have not received any annual accounts from this company, nor received reports or had invitations to the annual general meeting. What is the legal position concerning my right to receive these accounts and attend the AGM? As a member of the company, you are entitled to notice of every general meeting and to see the annual accounts. As an annual general meeting should have been held at least twice in the past three years, there does indeed appear to be something amiss. You can either inquire direct of the company secretary (at its registered address) or, if you doubt the bona fides of the management, before making any direct approach you might prefer first to effect a search at the Companies Registry to see if annual returns have been filed for the recent years.

Help for a daughter

MY WIFE died intestate in August 1987 and I was the sole administrator and sole beneficiary of her estate, which amounted to about 274,000. I varied the distribution of the estate by a deed of family arrangement so that each of my four children received 26,500. Since my wife's death, my only daughter has suffered a severe nervous breakdown and has been unable to follow her career as a teacher for the past year. Her progress towards a complete recovery is slow and her future uncertain. My daughter is aged 39 and was married just before the death of my wife. Her husband is unemployed and both reside with me. In the circumstances, I am proposing to redirect 230,000 to my daughter from my wife's estate by means of a further deed of family arrangement. The object I have in mind is that the money should be used for my daughter's benefit, either to assist in buying a house for her and her husband or for her welfare, depending on how her health progresses. I am not sure about her ability to handle such a large sum

dence, as it was for my mother. Can I "inherit" my mother's residence qualification for the rather special circumstance of my sister? If the law makes CGT payable, does the Revenue have a discretion in a case such as this to postpone the charge, treating the probate value of the first house as my acquisition cost of the second? If not, the CGT on my half share would operate as a significant handicap to my sister being able to move. Everything depends upon whether your sister was (before April 6, 1968) "incapacitated by old age or infirmity from maintaining herself" in the words of section 105 of the Capital Gains Tax Act 1979. This section was repealed by the Finance Act 1988, subject to transitional relief for existing cases. Your solicitor will be able to guide you on the meaning of this statutory phraseology. If you are not entitled to claim relief from CGT under section 105, there is no way of deferring the CGT bill.

Mike Lennard advises on the best ways to cover yourself abroad

Insure — and travel right

ARE YOU the sort of person who spends ages preparing for your summer holiday and then ends up buying travel insurance at the last minute, almost as an afterthought? If so, you might find you are not covered for some of the commonest problems encountered by vacationers — such as flight cancellations and delays — and you could lack adequate cover when it comes to medical emergencies or theft.

Which? magazine's checklist of what to look for in your insurance: Medical expenses. Sum insured: Europe 2250,000, USA 21m, rest of the world 2500,000 in case you need to be flown back for emergency treatment. Cancellation or curtailment. Sum insured: the full cost of your holiday, as well as the deposit and any other charges paid in advance.

Money and belongings. Sum insured: up to £1,000 for loss or damage to personal belongings and cash. Delayed baggage. Sum insured: £50 for emergency purchases in case baggage arrives long after you do. Delayed departure. Sum insured: £20 for the first 12 hours, then £10 for each full 12 hours after that. Personal liability. Sum insured: 2500,000.



or damage to personal possessions (usually up to £300 an item). Most insurers recommend that expensive items, such as video cameras or jewellery, should be covered by extending your existing household contents policy. Finally, they are not a particularly good buy if you plan to make several trips abroad or stay for a few weeks in an exotic part of the world. In such cases, you could be better off arranging a tailor-made policy with a broker.

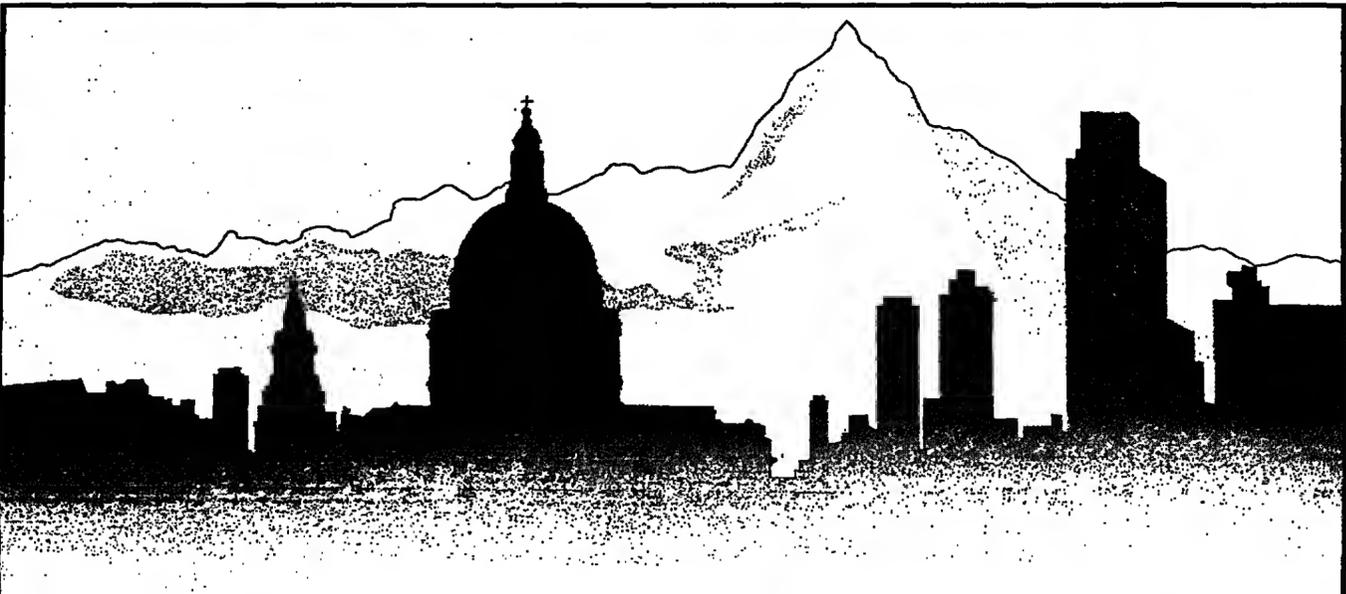
Credit and charge cards can sometimes help to fill some of the gaps, however. If you pay for your holiday with American Express, for example, you are entitled to compensation for travel delays and lost or delayed luggage. Amex also offers a Global

Assist service which helps to deal with medical or legal problems, and all family members are covered if travel or other holiday arrangements are booked through the card. For Amex's more comprehensive additional insurance policy, Centurion Assistance — which provides cover on an annual basis — you have to pay extra. Diners Club offers similar services and extends cover to parents and parents-in-law. It also deals specifically with compensation for delays caused by overbooking. The main disadvantage with plastic card insurance, however, is that cover for medical costs, personal liability and travel accidents is not really adequate for a family holiday. Card-holders should try to

maximise the benefits available through membership, but check beforehand on just what might or might not be covered (spouse, children, parents) and about the practical levels of compensation and assistance. If you are venturing outside Europe, you should buy unlimited medical expenses cover (or, at the very least, 2500,000 worth). You might also feel safer taking out insurance which includes one of the well-known assistance services. For example, a disabled child brought back to the UK from North America by air ambulance recently using insurance cover which included a global assistance service (actual cost, 245,000). Assistance services should also be able to recommend the most

appropriate medical facilities or doctors if you have a problem. Exclusion clauses are, of course, a major feature of many policies: cover might be withdrawn if you are pregnant, or do not disclose a medical problem such as heart trouble, or if you are over 65. There is also a common exclusion clause covering any sort of mental disorder, including "anxiety or depression." General-purpose policies exclude cover expressly from any dangerous sports or activities: so if you are planning a mountaineering or hang-gliding holiday, you will need to buy a specialist policy. In many cases, it is not spelt out if the occasional amateur attempt at water-skiing or sailing is included in the basic hol-

iday package. Few policies give cover if you hire a car or motor scooter; yet, in the Greek islands, lots of people do just that. While the hire agreement (perhaps written in a language you don't understand) should give some third party cover, this could well be minimal. The AA recommends that if you are planning to hire a vehicle for a few days or more, you should find a specialist broker or else seek advice from the local motoring organisation. Finally, if you have some form of disability, you might consider specialist cover. The Holiday Care Service (tel: 0293-774-535) or the Royal Association for Disability and Rehabilitation (01-637-5400) offer free fact-sheets and advice on specialist brokers and policies. They should also be able to suggest general purpose policies which do not feature some of the more onerous age or health exclusion clauses. Which? the Consumers Association magazine, surveyed holiday insurance policies and highlighted the following "best buys" for one adult spending two weeks in Europe: United Friendly £17 (01-928-5644); Extrasure £15.20 (01-480-6871); Perryurance £13.90 (01-879-1255); Barclaya £13.85; National Westminster £15.50; Pickfords £16.60. For one adult spending two weeks in the US: Extrasure £38.00; National Westminster £38.00; Pickfords £34.00.



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TRAVEL

Wildside

Tyger! Tyger! burning bright

AS THE sun rose over the Indian jungle in Kanha national park, Madhya Pradesh, four pairs of tigers' pug marks scored the dusty road in front of our vehicle.

Recent tigers within 24 hours. In coping with this increase, the tiger itself has changed. This year families of tiger have been seen together for the first time at Kanha.

superfidity of chital deer for the tigers' prey and increase is encouraged. The Seonee hills, where the wolf pack still roams, provide land for the expansion of young tigers into new territory.

tiger is located, there is a mad rush as visitors race off, videos whirring. There may be four elephants in a semicircle around a tiger.



No more pussycat - the Indian tiger

The tiger is now increasing in numbers. Jocasta Shakespeare follows its trail in an Indian national park.

"All met at dusk. A lot of vocalising. An incredible encounter." Encounters with tigers have changed since the late 1960s, when Richard Waller, ornithologist and wildlife enthusiast, described Kanha as "a red bloodstain on the green heart of India."

tigers and there is bitter conflict with the surrounding villagers. There are rumours of man-eating. These are countered by poisoning, trapping and shooting, even though the tiger is a protected species.

steaks for his supper off a chital deer killed by a tiger, which returned earlier than expected and was not pleased. The next day the villager was found dead, axe in hand, swatted like a fly away from his supper.

are over. In 1990 he shot one by tying up his own wife as a bait. Lopez's grave stands at a crossroads in the jungle, saluted by passers-by who put stones on it for good luck.

At Kanha the tigers still have to catch their own food. And at Kipling Camp, after a good meal of our own, we sat around the fire only a 30-minute walk from a tigers' lair in the forest.

This year the tigress had returned with two cubs, and we saw their fresh pug marks behind the camp's huts. At night, when the chital looked for cover and we heard them from our bed, grazing and knocking their antlers against the wooden shutters, we hoped that the tigress had found her supper elsewhere.

SMALL seaside town in the north east of England is not my idea of getting away from it all. However, I wasn't in Seahouses to sample the canyons, the fish and chips or the one-arm bandits.

visit arranged privately by the Wildfowl Trust at Washington, Tyne and Wear. Our destination was the Farnes - a group of 26 tiny islands just off the north east coast.

was the unmistakable smell of guano. The island was covered with nesting terns, their pure white bodies and bright red bills making a startling contrast against the vivid green of the short, salt-sprayed grass.

bill on the top of my head. Thankfully, the attacks ceased as we moved further into the island and the birds settled down to the more normal business of the day.

flat stacks called pinnacles. Although it was quite late in the season, the tops of these stacks were thickly crowded with guillemots, looking for all the world like miniature penguins.

lemots, shag and puffins watched me with beady eyes as I settled down with my sketch pad. I was three feet away from them. They eyed me with curiosity and caution, sometimes flapping their wings aggressively if I moved too jerkily.

boats available to take visitors to the Farnes, but I travelled on Billy Shiel's boat, the Glad Tidings. Billy has been taking people around the islands for 45 years.

Watching the birds go by

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TRAVEL/MOTURING

TRAVEL BUSINESS

Italy bucks the Med's decline

WHEN Tony Le Masurier took over 18 months ago as chief executive of Cititalia, the largest specialist tour operator to Italy, he inherited a company which was losing money fast and seemingly missing out in the Mediterranean sunshine holiday boom of the mid 1980s.

But new trade figures circulating this week show that Italy is bucking this year's general decline in Mediterranean holiday bookings - down by about 10 per cent overall - and having one of its best summer seasons for years.

Holiday bookings to Italy from the UK (as at the end of May) are running at a level 4 per cent higher compared with last year. At the same time, bookings to Greece are 9 per cent down and those to Spain are 6 per cent down.

Le Masurier cites several reasons why Italy has grown in popularity, including the disenchanted holidaymakers who offer relatively basic standards of accommodation and service. The average price of a typical Cititalia holiday is £532 per person, more than twice that for an average Spanish package tour with one of the major operators.

and congestion as every other holidaymaker. Cititalia's own train, which travels weekly to Rome and back, is completely sold out for this summer in spite of a 27-hour journey time and prices comparable with the return air fare.

THE SPANISH resort of Benidorm is fighting its "lager" image by launching a £150,000 public relations campaign.

More than a million Britons holiday in Benidorm each year and have been partly responsible for generating an image of the resort which has upset the local tourist authorities.

Some £6m has been ploughed into upgrading tourist facilities, noise restrictions and special "tourist police" to crack down on drunks.

The campaign hopes to debunk the idea that eating out in Benidorm is dominated by fish and chip shops. Apparently, there is only one in the town.

JONATHAN BODLENDER, chairman of the international hotel and leisure consultancy Horwath and Horwath, is unlikely to be popular in Cyprus this weekend. Cyprus, he told a tourism conference earlier this week, had a rather tatty image and was in danger of falling into the trap of unlimited tourist development.

Bodlender pointed out that while many holiday brochures promoted Cyprus as an up-market product, the reality did not always reflect the image. "The overall impression given of Larnaca and Limassol is of too much development too fast, with not enough local and regional planning and too little consideration for protecting the environment," he said.

IS THE compulsory use of exhaust catalysers the best way to minimise environmentally harmful emissions from cars?

Yes, say the politicians, the Greens and the manufacturers of the catalytic control systems.

No, or at least not necessarily, say some of the engineers and researchers who have to come up with the hardware to fulfil the political decision makers' promises. They are at the sharp end of the battle.

And what do they think is the most realistic answer to curbing the environmental harm caused by car exhaust emissions? Perhaps surprising to some (though not to me) it is the wider use of diesel engines in cars.

Myths have sprung up around both catalysers and diesel engines. The former are widely thought to remove all the unpleasant elements in exhaust gases. And the latter to be noisy, smelly and environmentally unfriendly. Both beliefs are untrue.

A petrol-engined car with a catalytic converter is unquestionably much better than one without. But it still pumps just as much carbon dioxide (the main "greenhouse effect" gas) into the atmosphere, even if it renders harmless the poisonous carbon monoxide as well as harmful unburned hydrocarbons and oxides of nitrogen.

A diesel idles more noisily than a petrol engine. Its fuel smells different. But a modern diesel car such as a 1988 Mercedes 250TD (see separate item) has emissions as good as those of a petrol-engined car fitted with the most elaborate catalytic converter on its exhaust system.

As a bonus it uses substantially less fuel because the very high compression ratio diesel engine is a more efficient converter of oil into energy than any petrol engine.

In fact, according to Dr Wolfgang Peter, director for Mercedes-Benz passenger car development, the diesel offers the most environmentally sound source of power for a car. Dr Peter can, of course, be accused of special pleading. Sales of Mercedes-Benz and other diesel cars have plummeted in Germany. This followed the removal of tax incentives amid allegations - strongly denied by Mercedes-Benz - that their exhaust emissions were hazardous to health.



An inexhaustible subject

Stuart Marshall examines ways of curbing car emissions

sound source of power for a car.

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Equally, companies such as Johnson Matthey can be said to be grinding when they promote the benefits of catalytic converters. Johnson

Matthey makes them by the million.

When emotion comes into the argument - as it certainly has with exhaust emission control - some of the facts tend to go unheard, especially if they run counter to public perceptions.

The main scientific criticism of a car diesel engine is that its exhaust contains microscopic particles of soot. They are so small they are said to disperse into the atmosphere as gas molecules and 80 per cent of those we breathe in, we breathe straight out again.

Every kind of fuel - coal, oil, gas and wood - produces combustion products when it is burned, particulates among them. Of total particulate emissions into the atmosphere, only about 10 per cent are caused by road traffic, most of them from trucks and buses.

Earlier this year Mercedes-Benz reduced the amount of particulates from its diesel engines by 40 per cent through improvements to the combustion cycle. This involved minor internal changes to the engine. They did not make it noisier or less reliable and actually

improved its performance and fuel efficiency slightly.

Exhaust emission control is a terribly complicated affair. Its objectives sometimes conflict. Public ignorance of the realities is widespread.

Bully maintained buses and overloaded lorries tend to give all diesels a bad name. Their stinking black trails make it hard to credit the modern diesel car as environmentally friendly.

THE 3-litre, petrol-engined Mercedes 300 TE 4-MATIC estate car I drove to Geneva and back in March cruised on the autoroute at about 80 mph/130 kph and returned 22.4 mpg/12.6 l/100 km.

A few weeks ago a 1991 TD, I looked identical, I cruised it at the same speed and returned 22 mpg/8.88 l/100 km. Both had automatic transmission though the 350TD lacked 4-MATIC, which switches in all-wheel drive when the on-board computer says it is needed.

With a 2.5 litre, 5-cylinder diesel developing less than half the power of the 300 TE's 6-cylinder fuel-injected engine, the 350 TD (pictured) was hardly a contender in the traffic lights grand prix. Does this matter, when it has ample acceleration for safe overtaking in the 50 mph to 70 mph (80-112 kph) brackets?

Environmental protection apart, there is a strong economic argument for running a diesel car in Britain, especially if you drive a big mileage. Pump prices for diesel are now anything up to 30p a gallon less than premium, 20p less than unleaded.

That comes on top of a potential 20 to 30 per cent lower fuel consumption. Remembering that the less fossil fuel you burn, the less carbon dioxide you are pumping into the atmosphere will make you feel even better.

directive 88.76 on gaseous emissions; the same size petrol version will need a catalytic converter to comply.

Modern diesel cars rattle much less loudly after cold starting than those of a few years ago.

Some have glow plugs that stay on for about a minute to improve combustion efficiency. And for six years Mercedes-Benz has fully coaxed its diesel engines in sound-absorbing materials. Even from the outside, they could be mistaken for petrol-engined models.

Silky, smooth performers

LEAN BURN engines - so called because they run on a weaker, or leaner, mix of petrol and air than others - save fuel. It was also thought they would be clean enough environmentally not to need exhaust catalysers.

Then the politicians moved the goalposts. So Ford's new DOHC (double overhead camshaft) 2-litre engines have been designed for use with sophisticated catalytic emission controls that will enable them to meet the world's strictest standards.

At present, the DOHC engine is being offered in three cars - the Sierra Sapphire 2000E and £19,245

and the Scorpio 2.0 litre and Granada EX in combination with Ford's new 5-speed manual gearbox or 4-speed automatic transmission. It replaces the 2.4 litre V6 which was hardly the smoothest engine in its class and will not be missed.

The new engine is so silky I once forgot I had locked the transmission in third and still thought how quiet the Sierra Sapphire 2000E was at close to 100 mph/160 km/h.

Both Sapphire and the Scorpio I drove later, were urbane performers, with road and wind noise well suppressed. Of the two, the Sapphire felt a little nimbler on fast, winding roads.

MOTOR CARS

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Chess

THE LATEST tournament in the World Cup series, played at Rotterdam, was a decidedly mixed experience for Britain's Nigel Short, ranked world No.3 after Kasparov and Karpov.

For part of the event Short looked likely to prove a contender for first prize, and he adjourned his individual game against Karpov in a position where many expected the champion to resign.

But Karpov saved that game, narrowly avoiding a second successive loss to Short, who had beaten him earlier in the year at Linares; while Short made the strangest blunder of his career at Rotterdam.

Chess board diagram showing a position from Nogueiras (Cuba) v. Short.

MY HANDS today are from rubber bridge. We look first at a little slam:

Bridge hand diagram showing a deal with North-South vulnerable and South dealt.

Chess

but Short produced 1... Nf3! apparently planning 2... P-N3, but ch: 3 N-N3, N-P3 with the threat N-K7 ch. Only after making his move did he notice that his piece on K1 is not a rook, but a bishop, and he resigned at once without waiting for White's P-N3.

This incident recalls the classic bowler of his type, played at the London olympics of 1927: 1 P-Q4, N-KB3; 2 P-Q4, P-K3; 3 N-KB3, B-N5 ch; 4 P-Q2. Now Black intended the normal move 4... Q-K2 but accidentally picked up his king and went 4... K-E2. White raised his eyebrows and captured 5 R-B3 ch whereupon Black, still not realising his mistake, "recaptured" 5... K-B7! At this stage White called for the tournament director and an embarrassed Black resigned. White could have continued the job and "mated" the errant king by 6 Q-N5 ch and 7 Q-N5 mate.

Another feature at Rotterdam was the good form of Holland's Jan Timman, who met the Soviet grandmaster in the Pillsbury Glass world semi-finals in London in October. Timman won first prize ahead of Anatoly Karpov but lost their individual game when he rashly took on Karpov's pet line against the Grunfeld Defence.

The Grunfeld has long been Timman's favourite answer to 1 P-Q4 and he has displayed a stubborn persistence with it despite some heavy defeats; so there is a chance for Speelman and his aides if they can get their preparation right.

White: A. Karpov. Black: J.H. Timman. Grunfeld Defence (Rotterdam 1988). 1 P-Q4, N-KB3; 2 P-Q4, P-K3; 3 N-QB3, P-Q4; 4 P-P3, N-P3; 5 P-E4, N-N3; 6 P-N3, B-N2; 7 B-QB, O-O; 8 N-E2, P-B4; 9 O-O, N-B3; 10 B-E3, B-N5; 11 P-B3, N-E4; 12 B-P3 ch.

Chess

Karpov's pet move, used several times against Kasparov. 12... B-K3; 13 P-B3, R-B3 ch; 14 K-E2, P-E4; 15 B-E5, Q-Q4; 16 B-B2, B-Q1; 17 Q-B2, Q-B2; 18 Q-N2, B-B3; 19 P-BE4, B-KB1.

Here Timman departs from the book 19... Q-B2, relying on tactical ideas against White's pinned bishop. But it takes Karpov only six moves to refute his opponent's homework and establish a decisive

material advantage. 20 P-N5, Q-Q6; 21 Q-N1, Q-K6; 22 Q-K1, B-N2; 23 K-N1, Q-K5; 24 N-N3, Q-B2; 25 N-K4, R-B3; 26 N-N2, P-P3; 27 R-Q1, P-Q6; 28 Q-K3, N-B3; 29 P-K6, Q-B3; 30 Q-B3, Q-E4; 31 P-K5, N-N1; 32 N-B4, B-E4; 33 N-Q5, Q-B4 ch; 34 K-R1, B-B3; 35 Q-B4 ch; 36 Q-K4, Q-Q3; 36 N-B6 ch wins the queen.

Chess board diagram showing a position from White's men.

White mates in three moves, against any defence (by P. Benko, 1976). A game-like setting, but the mates are in true problem style. White's difficult idea is that the BK is ready to escape via E3, while the obvious 1 P-N6(Q) concedes a stalemate draw.

Bridge

South competed with four spades, East doubled and all passed.

West led the heart two. Winning with the king, East played his king of spades, declarer ducked and East switched back to the heart ace. Ruffing in hand, South crossed to the club king, finessed his knave successfully and then cashed the ace, bringing down the queen.

Timing his plays precisely, South cashed his spade ace, depriving East of an exit card, and made his last club on which he threw dummy's last heart. East naturally refused to ruff but he could not escape the impending fate - he was thrown in with a spade and forced to lead into the diamond tenace or give a ruff discard.

Good dummy play, but the defence can do better. If West leads off with his heart queen, East drops the knave, signal for a diamond switch. West leads his knave and the defence come to a fourth trick.

East-West were game but North-South had 30 below. When East dealt and opened with one heart, South came in with one spade. West raised to two hearts and North bid three spades. East bid four hearts,

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ALCATEL

COLLECTING

Susan Moore looks at four London exhibitions of Old Masters Presenting art in themes

Continued from previous page
if for any reason the new owner wants to off-load, it has happened only twice in the past year and, with good quality stock getting scarce, it is no great hardship for the dealer.

Golding is a great traveller looking for antiques in the US (which is packed with British goods shipped there earlier this century) six times a year, as well as constantly travelling around the UK. It is a two-way traffic. "In the first two months of my new financial year I have sold as much for export as I managed in the previous six months. The Americans are back, and there are also Australian and continental buyers". And there is also good domestic business from the new rich, or the wealthy retirees who have bought substantial properties in the Cotswold area - or in the wider countryside - and who want to fill them with period furniture. These are possible buyers for his 16 Welsh dressers, priced between £4,000 and £18,000.

The attractions of the Cotswolds for antique dealers are obvious. The region is pleasant

London offers prestige but few Cotswold dealers want to move

to visit, and pulls in many mainly wealthy visitors. It offers plenty of space at low costs - especially important for a dealer like Architectural Heritage, which sells antique garden statuary, period chimneypieces, antique panelled rooms, gates and cast iron, etc. from the lawns of Taddington Manor. The congregating of dealers makes it convenient for runners and other dealers to slot in regular buying and selling calls, and facilitates joint marketing initiatives.

And Cotswold dealers are friendly. Anthony Preston, a Stow dealer concentrating on 18th and early 19th century furniture, says "we are not hilly like some dealers. If I haven't got the kind of table the caller wants I will recommend a dealer who I know has one. And we do not buy too much from each other, which helps to keep the prices down." There are equal advantages for collectors, notably slightly lower prices than in London and a pleasant, relaxed envi-

ronment for browsing and buying.

There are also drawbacks. Some recent arrivals are not quite up to the traditional Cotswold standards, and there are important areas of antiques - Old Masters and contemporary art come to mind - where the coverage is thin on the ground. Most good Cotswold dealers will have a few exceptional items, but you rarely get the quantity in depth that you can expect in the best London shops. Some rich buyers and dealers never venture out of London on their buying trips to the UK.

On the other hand the Cotswolds does have its specialists who cannot be found elsewhere, such as Simon Brett in Moreton-in-Marsh who concentrates on placetrans, and has an unrivalled collection of fishing rods. But although London offers more prestige, few Cotswold dealers really want to move there. The extra costs are horrifying: the life style not so pleasant. Indeed, two important London dealers are about to move west, seeing the Cotswolds as the ideal area for their declining years.

London can be covered through the antique fairs which have become such a feature of the business. Whitney Antiques had a very good Grosvenor House, as did Charles Clarke. Priory Galleries and John Nott were happy with Olympia. They make new contacts at the fairs and their prices often seem modest in the capital. Some Cotswold dealers, like Huntington, no longer bother with fairs like Olympia; with typical Cotswold superiority Michael Golding thinks the standard of goods on offer there has declined.

Business is fairly good in the Cotswolds this year, better for some dealers than others. The boom years are over and higher interest rates, and the collapse in the property market, could scare off buyers. But dealers and foreign customers should keep trade ticking over. The great problem for the dealers here, as for serious dealers everywhere, is finding enough quality antiques. Some see no point in acquiring more space, however cheap, when they are contemplating their stock of fewer, but more expensive, antiques.

For more information about the Cotswolds contact the Cotswolds Antique Dealers Association, High Street, Blockley, Gloucestershire. (tel: 0386-700280).

THERE WAS a time when Old Master dealers thought all they had to do was show the cream of their current stock, list an artist and a date for their pictures, and sit back. But now the public is accustomed to blockbuster museum exhibitions, the dealers have begun introducing themes to their shows, and adding a few extra pounds to the scholarly weight of their catalogues.

This season finds four commercial Old Master shows in London. Matthiesen presents a selection of French painting 1700-1840, the Walpole Gallery, 17th and 18th century Italian landscapes and vedute. In contrast, at Agnew's, we find ourselves swept up on a traditional Grand Tour which takes us from 14th century Florentine to the Dublin countryside of the 1870s, by way of France, the Low Countries, Germany, Italy and Spain.

Vasari described the Bolognese artist Amico Aspertini (1474-1552) as an eccentric man of extravagant hair, whose figures executed by him throughout all Italy are equally eccentric, and even mad, if one may say so.

One may, faced with his stunning portrait of a cleric here. For once, Aspertini's virtual obsession with the antique is not in evidence, and instead we are confronted by a hesitant, youngish man who looks out at us rather uneasily. Beyond him is a wonderfully romantic blue, hazy landscape with spidery figures among gossamer trees.

A small Diireresque head of a man, formerly attributed to Mabeuse, and a compelling head of a girl by Orazio Gentileschi (cut down from a larger canvas once in the collection of Charles I) dispense with background distractions, and are more intensely observed. But there are lighter exhibits too in this rich and varied exhibition. Late Poussin can be dauntingly austere, but his early "Hannibal Crossing the Alps" features an exultant, baggy-trousered elephant.

A different lightness of touch is in evidence at Matthiesen. Nattier's serene Comtesse d'Argenson, seated in a carved bergere against an imaginary festooned backdrop, swathed in pearly silk, powdered and pink-cheeked, seems the archetypal image of 18th century femininity. She dominates the



Still-life by Anne Vallayer-Coster at Matthiesen

upper gallery, and portraits dominate the show. As characteristic an image of the Empire is the portrait thought to be of the Marquise de la Grange by David's pupil Anne-Louis Girodet. Although better known for his grandiose Napoleonic history paintings and military portraits, he displays considerable delicacy of emotion - and a wonderful eye for colour - in what is otherwise a coolly perfect neo-Classical portrait.

Of all the portraits, the most engaging is the undisputed four-de-force of Pierre-Nicolas Sicot Legrand. His subject is the family of Johann Burki, Commissaire Général of the Canton of Berne.

The nine figures group around the piano set for an evening's entertainment. Proud Papa presides, holding the plans for his new house, his womenfolk at his side, dressed in glorious shot silks and engaged in their knitting. It is a marvellous document of provincial family life at the end of the 18th century.

Most desirable of all, if not necessarily the most estimable, is the decorative still-life with musical instruments by Anne Vallayer-Coster. This delightful picture draws from Chardin - the copper urn, and areas of brilliant white - and yet the way she gathers together a cluster of objects, composes and paints them in a spirit and palette quite her own.

The composition seems arbitrary enough, but a longer consideration reveals the care with which it was conceived. Matthiesen also boasts some fine religious paintings, a taut and complex sporting group by Oudry, and Claude Vernet's

last Salon picture, a proto-Romantic landscape which draws liberally from Salvator Rosa. The Walpole Gallery features two Rosas, and a Poussin. The latter, a landscape with goatherd, was attributed by Anthony Blunt to a figure he called the Silver Birch Master, but few scholars today believe in his existence.

Most remarkable are the extraordinarily bold, creamy rocks and contrasting deep shadows of Pietro della Vecchia's "Fantastic Landscape with Hermits".

The catalogue of the fourth show, at Haize until July 25, urges collectors to opt out of the gold rush towards buying big names for big bucks.

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COLLECTING

Antony Thorncroft finds that the Cotswolds have been turned into a national warehouse for antiques
Such a a cosy corner for the dealers

STOW-ON-THE-WOLD, a sturdy old Cotswold market town, may be short of butchers, bakers and candlestick makers, but it is very long on antique shops. At the last count there were more than 30 of them, nestling around the Square, and lining the narrow streets by the church and up towards the Fosse Way.

When Christopher Clarke, currently chairman of the British Antique Dealers Association, set up shop in Stow in 1961 - mainly because he could not afford to operate from Broadway or Burford, the other two essential stops on the Cotswold antiques trail - he was on his own. Subsequently, the antique boom of the 1970s brought in a rush of dealers, and they are still arriving. But into a very different market.

Today the Cotswolds offer the biggest concentration of serious antique dealers outside London. "In an area 20 miles by 20 miles there are over 100 dealers. It is easy to park and the quality of the goods is very high," says Mrs Rowan, who sells 18th century English porcelain from her shop in Blockley and who is secretary of the Cotswold Antique Dealers Association. Any conscientious dealer or collector must make the agreeable and usually speedy run down the M 40 from London to look over the constantly replenished stock. It can form the basis of a successful week end.



Typical of Cotswold art, a Dorothea Sharp on offer at the Priory Galleries

living. And the balmy days of the 1970s seem gone for ever. Typical of the range of goods held by a general Cotswold dealer is that of the Baggotts of Stow, whose properties in the town range from a trade warehouse stuffed with oddities of every size and in every condition, to a new shop laid out like an elegant country house. Everything from a £3,000 George I ash chest on stand to a Solomon Islands club, from six Salvador Dali painted tiles of 1954 (£3,000) to a toy tinplate car, can be rooted out from their premises.

"It's been hard work this year. There are new pressures all the time. The trade get credit from the salerooms, and they now want it from other dealers. And the public expects more service. They want their purchases restored and delivered. I still think many antiques are under priced, especially furniture. I am selling mahogany chest of drawers for £3,000 which would cost £5,000 to make."

Here speaks the voice of the Cotswold dealer - down to earth, pragmatic, professional. Just across the street Michael Golding of Huntington Antiques presents the view of the specialist. He deals in early furniture - up to 1700, and, as that gets harder to find, increasingly in country furniture up to 1800. "Ten years ago I would have three or four 17th century refectory tables in stock all the time. Now I only have one." In the past most of his buyers were dealers but now, thanks to heavy advertising and promotional campaigns, he has more private buyers: he has just sold a £25,000 gothic stool through an advertisement. Like many, but not all, Cotswold dealers Golding gives his customers a guarantee in writing that he will buy back any-

greetings cards. James now knows his market and accepts that, sadly, the Cotswolds is no place for challenging modern art. John Davies in Stow has tried to interest the locals in abstracts, but has tempered his enthusiasm and now concentrates on decorative items. His current shows include works by Dorothea Sharp and Walter Langley as well as an exhibition devoted to Ken Moroney, a follower of Edward Seago. Other leading Cotswold picture dealers, like Richard Hagen in Broadway, his neighbour John Noott, and the Fosse Gallery in Stow, also specialise in the popular late 19th and early 20th century art - Newlyn, the Scottish Colorists, illustrators, and country scenes, although Noott also sells clocks and barometers. In the last few years a "Cotswold picture" has emerged - undeniably picturesque and access-

ible, but not totally chocolate box and lacking artistic skill. Dealers in such works have touched a popular chord and they are prospering at the moment, more so than the furniture dealers, partly because their profit margins tend to be higher and they can survive on fewer sales, and partly because a picture takes priority over other antiques on the collector's list. But if the Cotswolds has a conservative taste in pictures that does not mean that there are no bargains about: a William Scott that hung long on Davies' walls is now on offer at a Cork Street gallery for almost twice the sum. Indeed prices in the Cotswolds can seem quite attractive. Charles Clarke's shop on the corner of the Fosse Way has many unusual items reasonably priced, such as a large Danish wardrobe in pale northern woods for £2,000, and a very decorative Chinese export cabinet for £7,000. He expresses the dilemma of the Cotswold dealer and the opportunity for their customers. "There is a psychological barrier when you leave London. An item of furniture that would seem a bargain for £25,000 at the Grosvenor House Fair would seem very expensive at £25,000 in the Cotswolds. But here you can buy a shop for less than your annual rent in Fulham." He gets by spending three days a week touring the country for antiques, calling in on regular sources who will have put aside items they know he might buy. By taking lower margins than in London - 30 per cent would be reckoned generous by many general furniture dealers, and nearer 20 per cent is normal - and quickly turning over their stock, the Cotswold dealers make a good, if hardly a rich,

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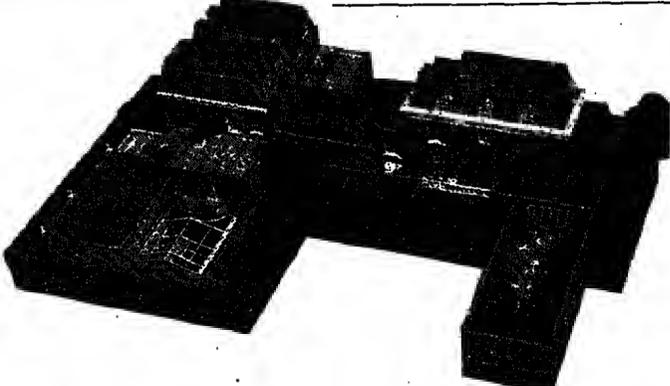
PROPERTY

Suddenly, it's Umbria

John Worrall discovers the charms of a remote area of Italy

FOR MANY expatriates, an Italian villa has long meant Tuscany. But time and the ripple effect wait for no man and now there is Umbria. The home of saints Francis and Benedict adjoins Tuscany to the south-east. It has no coast although, these days, that might be no bad thing. But it has mountains and lakes and its famous light in which the Renaissance painters revelled. It also has many abandoned dwellings on tree-clad hilltops, the stuff of which Italian retreats are now being made. These dwellings - indeed, there are whole villages - were sited originally out of defensive considerations; neighbourly assault was once common courtesy. But, with peace descending, people went down into the commerce of the valleys and their houses were left to immigrant Sardinian sheep farmers or the ravages of nature.

Nothing changed for a long time because Umbria was too remote for new market romance. The world had discovered Italian hilltop villas but still thought in terms of proximity to airports; in that respect, Tuscany had it sewn up and the world seldom looked further. Umbria was still really in the hills. But then a new road came through the upper Tiber valley; and among the first down that road was John Tunstall, an Englishman who had made his fortune making tin soldiers and was retiring to Italy. He had bought his own Umbrian eyrie which he and his wife would refurbish and in which, so he thought, they would settle down to live happily ever after. The market thought otherwise. With expatriate interest rising in this newly accessible area, more local families began to see chances of shifting their long-abandoned wrecks. Soon, Tunstall found himself button-holed quietly by potential vendors who needed "Giovanni" to negotiate in English on their behalf. This he did, and soon found himself in partnership with local estate agent Fabio Leali. They have since formed Italian Property, which now offers sites with refurbishment packages tuned to applicants' specifications by James Ribblings, a locally-based specialist in classical Italian design. Applicants have a widening choice, from barn refurbishments on the lower slopes to projects like that at the village of Ghironso, a dozen or so dwellings scattered around a derelict hilltop castle near the northern Umbrian town of Città di Castello. Although Ghironso was inhabited until this century, Tunstall first had to hack his way up there with a machete although there is now a road suitable for two-wheel drive vehicles. Structural repair has begun and the refurbished shells will then be fitted out to buyers' specifications. Communal tennis courts and a swimming pool will be camouflaged into the terrain.



An expensive extension

GARDENS, according to Tim Densie of Strutt & Parker, "can make or break a sale... With a steady supply of good properties coming onto the market, people can afford to be more selective and certainly take their time. So, a well laid-out and cultivated garden can be a crucial factor." If a near-completed house in Holland Park, west London, is anything to go by, buyers may well be eyeing that well laid-out garden with an extension in mind. The British have become used to seeing anything green out the back as the site for a patio, a conservatory, then an extension, followed by an extension on that extension, with scope for another conservatory to fill in the rest of the space. At numbers 4, 4a and 2 Queensdale Place, Holland Park, Giles Courtenay-Evans of Unique Estates has taken the extension (pictured above)

to its extreme conclusion by creating 2,760 sq ft of house, linked maisonette and additional self-contained house adding up to 11 bedrooms, half a dozen bathrooms and shower rooms and an oak-panelled billiard room. There is also a 30 ft indoor pool that becomes an outdoor pool by opening the glass roof or an indoor/outdoor garden by a further series of electronic shifts of scenery. If you are attracted by the idea of house-wide hi-fi, a thermostatically controlled wine cellar, computerised central heating and a water jet machine cum jacuzzi (plus never having to boil a kettle again because there is a constant boiling water supply in the kitchen), then you should talk to the agent, Farrar Stead & Glyn (01-373-5075), about the guide price of £3.45m. **John Brennan**

Pricing surprise

IT IS A DECADE since Manhattan lost its status as the most expensive stretch of real estate in the world to the pressure-cooker land prices of Tokyo and the reclaimed waterfronts of Hong Kong. But the impression lives on that a central-area New York apartment ranks as a luxury reserved for old dollars with new bank accounts. US realty brokers visiting London, Paris or Rome normally smile politely when touring properties with their local counterparts. Get them on their own, however, and they express utter disbelief at the prices achieved on comparatively tiny European flats. A survey of co-operative and condominium apartments in and around the city carried out recently by Gale Realty, a New York real estate group, underlines the extent of the US-EC price gap. Gale (0181 2-585-4253) reports that, in the first quarter of 1988, the average price for a 2½-room apartment in a co-operative building on the upper west side of Manhattan (between 81st and 116th streets, west of Central Park) was \$115,000 (about £68,100). The same basic flat in the borough of Queens

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BOOKS

Into Russia with love

J.D.F. Jones on Le Carré the novelist and the dawn of Glasnost

IT IS THE thriller writer, you might have thought, in the age of Glasnost. Where are the villains now? What price a mole? Who thrills to a spook? We still expel East European diplomats as in olden days and accept the traditional realisation but industrial espionage is hardly the stuff of our dreams, or of our bestsellers, and the real licence-to-kill business is surely out of fashion. It is a time to separate the men from the boys. John Le Carré, the arch rumormonger of the Cold War, here demonstrates what we have always known - that he is, of course, and always has been, so much more than a thriller writer; in The Russia House, Le Carré the Novelist tackles the new age.

THE RUSSIA HOUSE by John Le Carré Hodder & Stoughton £12.95, 344 pages

living individuals - Hayden, Lacom, Sam Collins, Esterhase, Guillan et al. of Smiley's lot. It is a weakness because Barley is a typically over-indulged Le Carré protagonist. Not for the first time you suspect that the author is a mite soft on his hero. At this important level the book is sentimental - and not just because Barley, like so many of Le Carré's central characters from Leamas to Smiley and, of course, including even Karla) is made vulnerable by love, but also because Barley is supposed to have charm. Rather as with the girl in The Little Drummer Girl or the father in The Perfect Spy, you may not feel quite the same way. It's a long way from the taut rigour of The Spy who came in from the Cold. (Let it be acknowledged that this book is blessedly shorter, more severely edited than the last three or four.)

Barley therefore is required to carry too much of the drama; the lady is a sentimentalised (and charming) Russian beauty who speaks like Jane Austen and has nice children; at the proper moment Barley stops drinking. But the appalling dangers in all this are averted, brilliantly, in two ways. First, Le Carré uses his narrator - Henry Feltner, the Department's legal adviser - with the subtle purpose Conrad employed for Marlow, as the moral commentator ("our in-house umpire" as someone says). The book is a study in pairs. Ned the professional is matched with Barley the amateur, two Englishmen of the same age and class. Barley in turn is matched with Goethe, the dissident scientist. ("For most of his life Goethe had stood on one side of a corrupt and anachronistic equation while Barley in his ignorance had stood on the other. . . he would rather go Goethe's path than Ned's because his presence would be urgently



Le Carré: so much more than a thriller writer

required in the extreme middle ground of which he had elected himself a citizen. . . .) And at the heart of it Barley is contrasted with Harry the narrator, Harry who, unlike Barley, has failed to commit himself to the woman he loves: "I chose the safe bastion of infinite distrust in preference to the dangerous path of love." Barley hereby becomes hero. Second, and overwhelmingly, here is Le Carré tackling the Moscow and Leningrad of Glasnost. The sheer detail and colour of it are magnificent. The excitement of what is happening today in the Soviet Union is never in doubt. "If the

ice is thin, we must walk fast," quotes the girl: the new revolution must be pushed through or all could be lost. Barley defects; he hands over Western documents in a bid - which may or may not succeed - to save his new woman and (we do not know) bring them together. He has come a long way from Le Carré's heroes of a generation ago. "The oldisms were dead, the contest between Communism and capitalism had ended in a wet whimper. Its rhetoric had fled underground into the secret chambers of the grey men. . . . He knew a better England by far and it was inside himself. . . ."

Cork, Daniel Corkery, Edith Somerville and Violet Martin ("Martine Ross"), buried together in Castletownsend; and Trevor himself. They balance the Dublin leanings of the collection: George Moore, Sheridan Le Fanu, Wilde and Joyce. Among the contemporaries, Trevor includes Desmond Hogan, Julia O'Faolain and Brian Friel. His haunting story, "The Diviner" charts the search for a drowned stone-mason; he is found with the whiskey he has been drinking, and his widow mourns him and her lost respectability. The collection includes many such chronicles of death and dying. But none hurts more than "Life Drawing," Bernard MacLaverty's poignant account of an artist returning home to his dying father, drawing him from life as the old man dies before the sketch is completed. "He stood up from the kneeling position and closed the sketch book that was lying open on the bed. He might work on them later. Perhaps a charcoal series."

Andrew St George

Irish spinning yarn

THE OXFORD BOOK OF IRISH SHORT STORIES edited by William Trevor Oxford £15.00, 567 pages

Bloom - "James Joyce in Drag" - in passing along with Breughel, Mendelssohn, Savonarola and Noel Coward. The over-cultivated prose puts two lovers on a sofa where Fery, a diplomat obsessed with *l'amore irlandese*, seduces Celia (*ovine stiviera*) by quoting Oscar Wilde and discussing the merits of "Fery! Tell me exactly why we did not believe in the reality of Mimi's death." His palm oscillated gently between her clavicle and her scapula. "Because, my little cabbage, we were not expected to." Trevor deftly sets this alongside O'Faolain's intensely sad

"Sugwan Chair," where the sight of the old attic chair brings back, with an October scent of turf and apples, a vision of parental joy and wistful craving for the past which animates the collection: "I saw my mother and father again as they were that evening - 'standing' over the autumn sack, their arms about one another, laughing foolishly and madly in love again." Frank O'Connor appears with "Guests of the Nation," his frightening account of the murder of two British soldiers by their Irish captors; and with the delightful "The Majesty of the Law" where the local police sergeant serves a warrant on his neighbour with charming diffidence, leaving him to come to prison when it suits him. O'Connor (born Michael O'Donovan) joins other writers from County Cork: Professor of English at University College

IN 1888, W.B. Yeats had Christmas dinner with Oscar Wilde. "Ah Yeats, Irish are too poetical to be poets; we are a nation of brilliant failures." Perhaps all the Irish need is someone to be Irish at; here Wilde summons a national identity which consists in fashioning exactly this kind of enigma about itself. William Trevor's introduction to the Oxford Book of Irish Short Stories makes a similar point, but he claims both for Irishness and for the short story. Trevor's eclectic gathering of 45 Irish writers sits uneasily behind his expansive gestures: "The Irish delight in stories, of whatever kind, because their telling and their reception are by now instinctive. He sets the modern short story against a "pervasive deeply rooted oral tradition." The literary short story arises from Irish unease with the civilised bookishness of the novels, and feeds off an Irish audience "for whom fiction of brief duration - irrespective of how it was offered - was the established thing." Trevor concludes: "to this day

the novel has not flourished in the same way." The anthology rests squarely on William Carleton's "Death of a Devotee," Seamus O'Kelly's "The Weaver's Grave" and that archetypal Irish short story, James Joyce's "The Dead." But Trevor rightly justifies two stories apiece from Liam O'Flaherty, Sean O'Faolain and Frank O'Connor. O'Flaherty's strange, demonic pedlar in "The Pedlar's Revenge" stands on the margins of life yet kills a man with a casual joke; his racist confidant in "The Fanatic" spits some truths in the bar and blames the motive for his wife's moral decline; sure enough she leaves him for America. In fact the importance of elsewhere haunts these stories. Sean O'Faolain delightfully assembles foreign literary pretentiousness in "The Faithless Wife," which invokes Molly

Face to face with the reality of delinquency

Terence Morris on the treatment of young offenders

DEALING WITH YOUNG OFFENDERS has been a central concern to penal reformers and innovators for the last 200 years. The 18th century, with its repressive penal laws, made no distinctions between children and adults; the 19th century, with its humanitarian approach to social problems and a commitment to the rational ordering of social institutions, soon distinguished between adults and juveniles in terms of both their needs and responsibilities. Juvenile delinquency as a concept was invented by the pioneers of welfare.

JUVENILE OFFENDING: PREVENTION THROUGH INTERMEDIATE TREATMENT by Sarah Curtis Basingford £3.95, (paperback) 197 pages

was distinctly unpopular. The Infill was achieved in the form of Intermediate Treatment, known to its practitioners and beneficiaries as "IT" and not to be confused with information technology. It is about IT that Sarah Curtis' book is written. A Chairman in the Inner London Juvenile Court (a group that is probably the most powerfully articulate and influential within the entire magistracy) she is well placed to write on the subject. In essence, the dominant feature of all the various schemes is to bring the young offender face to face with the reality of his own behaviour and its consequences for his life as well as those of others. It is precisely against this that custodial regimes serve to insulate young delinquents. In the 1980s when a number of "Approved Schools," as they had become known, began to provoke official anxiety. After a scandal at the Court Lees school it was clear that the system was doomed. The question aroused considerable discussion, involving no fewer than two White Papers, until legislation finally arrived in the form of the Children and Young Persons Act of 1969 which came into force in January 1971.

characterised by their originality and the enthusiasm of those who have tried to make them work. They are by no means perfect, as the author indicates in a final chapter in which she makes her critical appraisal and offers suggestions for development. But the central point of her argument is perhaps the fact that IT is so differentially available throughout the country. Whereas all courts have the ability to send offenders into custody - and to place them under non-custodial supervision - not all have IT schemes available to them. This cannot be other than undesirable in a criminal justice system which seeks to be equitable and must surely increase the possibilities for some youngsters to get a custodial sentence *force majeure*, even though the numbers in custody have fallen from some 7,000 in 1961 to 4,500 in 1986. The custodial solution, so popular with the Victorians for all social deviants, represents poor value for money and is largely inhumane, save with respect to very long periods of incarceration, and even then social peace is often bought at the cost of the damage done by the offenders concerned. Even to satisfy the demands of the largely uninformated "law order" lobby, non-custodial alternatives must have a demonstrable credibility. In this respect Curtis' book provides a lot of encouraging evidence. It is, in a sense, a highly technical book that will be of the greatest interest to specialists; it is, however, written in a style which is clear and scholarly. It should be on the prescribed reading lists of all students of the penal system and social workers intending to specialise in the area of youth work: it will be certainly commended by the "criminally" enthusiasts on the juvenile bench, but their colleagues in the adult court could well find it a broadening experience. In Terence Morris's *Professor of Social Institutions at the London School of Economics: His latest book, "Crime and Criminal Justice since 1945" has just appeared from Blackwell.*

The Act contained provisions that were highly controversial and it was by no means popular with the magistracy. One of its innovative provisions, however, was for a form of intervention somewhere between a minimalist course that made little intervention in a young person's life, and that which made a maximum impact by removing him or her from home altogether. Whereas custodial solutions are thought preferable to leaving a child in what was defined as a "bad" home, were rapidly going out of fashion, the polar alternative of doing very little or indulging in what one Home Office official once described as "benign neglect"

Beyond protecting society from the depredations of the utterly depraved and the physically dangerous, there is little to be said for locking up young offenders, most of whom, carefully, seem to grow out of their offending by some natural process of maturation. The IT schemes which Curtis discusses range from inner city programmes, like the Junction Project in Lambeth - surely one of the very pits of social disadvantage in contemporary Britain (a land in which certain government ministers would have us believe that such things scarcely exist) - to rural West Sussex. The various schemes are

A mystery to the end

HER PARENTS called her Dora. Lytton Strachey, whom she adored to the point of idolatry, used the Shakespearean pet-name, *Mopsa*. But her friends knew her simply as Carrington, the style she adopted from her student days at the Slade. And it is as Carrington that she has gone down to posterity. The story of how Dora Carrington, in the aftermath of Lytton Strachey's death from cancer, committed suicide shortly before her 96th birthday, has been told before, most notably by Michael Holroyd in his mammoth *Lytton Strachey*. Much may be gathered about her too from the edition of her letters edited by David Garnett, as well as from the small *Portrait of a Lady* volume reproducing her surviving works edited by her brother. She emerges again in the memoirs of her closest friends, particularly Gerald Brennan and Frances Partridge.

There are also at least two fictional portraits of her: one by Aldous Huxley in his Carrington novel, *Crome Yellow*, and another by D.H. Lawrence in his remarkably vindictive short story, "None of That," where the Carrington-style heroine ends her days the victim of a gas arranged by a Mexican bull-fighter and his cronies as retribution for her frigidity. But in spite of all previous attempts to fathom her, no one until now has done so more fully, more, Princeton and Vassar academic, has put Carrington at the centre of the stage and turned the spotlight full on her in a biography of which she and she alone is the subject. This was well worth doing. Gerzina's carefully written and conscientiously researched book contains a more sustained account of the painter's states of mind and fluctuating fortunes than anything published hitherto.

man of such superb intellect bear to be surrounded by such inferior minds, the inner core of Bloomsberries asked themselves. Virginia, who did in the end accept Carrington and even became a friend, thought of her initially as "a cook who doesn't go out on Sunday." Carrington paid a heavy price for her belated Bloomsbury education. But it seemed worth it when, after dinner with the curtains drawn, Lytton read aloud to her the works of *Marlowe* and *Racine*. Nor did Bloomsbury think much of her art. Roger Fry and Clive Bell gave her but meagre crumbs of praise in that direction. She was useful to them only when woodcuts and other decorations were required for the publications of the Hogarth Press. And yet, what a good painter she was - not just in the field of portraiture but also as a flower and landscape artist, those glowing, head-on depictions of the places where she lived with Lytton or visited in Spain are superb in their simplicity.

CARRINGTON: A LIFE OF DORA CARRINGTON 1893-1932 by Gretchen Gerzina John Murray £18.95, 342 pages

But marriage only meant another emotional accolade triangle: Carrington, Ralph and Lytton. In between there was an American lady, Henrietta, with whom she had a brief but love-affair. Finally there enters a Cambridge undergraduate, Frances Marshall, with whom Ralph falls in love and who married him after the deaths of Carrington and Lytton. A female Fortinbras coming in to pick up the pieces at the end of *Hamlet*, as it were. In its scrupulous account of Carrington's private life, this biography makes the wider imaginations of Dame Iris Murdoch seem like the proverbial vicar's tea party.

In her emotional life, which the biography discloses with tact and thoroughness, Carrington had a genius for creating interminable triangular situations of which she was the apex and which she could never bear to resolve. It was this indefinite prolongation of unresolved affairs that so outraged Lawrence. Mark Gerzina and "Chips" Newson, fellow students at the Slade, were the original pair of competing lovers; later their roles were taken up by Gerald Brennan and Ralph Partridge who, egged on by Virginia, actually succeeded in marrying her. But marriage only meant another emotional accolade triangle: Carrington, Ralph and Lytton. In between there was an American lady, Henrietta, with whom she had a brief but love-affair. Finally there enters a Cambridge undergraduate, Frances Marshall, with whom Ralph falls in love and who married him after the deaths of Carrington and Lytton. A female Fortinbras coming in to pick up the pieces at the end of *Hamlet*, as it were. In its scrupulous account of Carrington's private life, this biography makes the wider imaginations of Dame Iris Murdoch seem like the proverbial vicar's tea party.

Anthony Curtis

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Gallic view of England

THE RELATIONSHIP between a writer and a particular place, as with Proust and Venice, often reveals as much about the writer's temperament as about the place itself. Philippe Daudy first became aware of England and the English during a childhood spent in the Horn of Africa, where in the evenings his mother would read Dickens to him and his two sisters. When the family returned to France in the early 1930s, he began his own impassioned exploration of English literature, and when, in 1946, he joined the French news agency, AFP, he at last had a chance to discover the realities that lay behind it. He liked what he saw, and this essay is the fruit of long residence and an affectionate scrutiny of the manners and customs of the island race. Inevitably his journey of discovery has taken him down some well-trodden paths, following in the footsteps of Colonel Bramble, Major Thompson, and other anglophile predecessors. But, if some of the aspects of English life that he

LES ANGLAIS by Philippe Daudy Pion (Paris) FRF 130, 440 pages

presents through French eyes are familiar and his reactions predictable, he also has many fresh and unexpected insights, and, if he is generally indulgent, he is not an uncritical admirer. Daudy betrays a hint of Gallic bemusement in the face of certain phenomena, such as English attitudes to sex and the mysteries of the common law. But he is far more perceptive of the nuances of the English social comedy than those of his compatriots nurtured on the legend of *perfidie Albion* and shows a nice wit in describing recent changes, not least sartorial. ("L'invasion américaine des jeans a provoqué les membres supérieurs des classes supérieures. . .") The writer is at his best, however, in dealing with rather weightier matters. He is particularly good on certain

institutions which have often perplexed French observers, such as the Church of England, the public school system, the function of the law courts, and the relationship between the monarchy and the people. He is also well aware of the radical transformations that have been taking place over the past decade under successive Conservative governments headed by Margaret Thatcher, and he has brought his narrative succinctly into the present by an account of the recent tribulations of Edwina Currie and the controversies surrounding the proposed reforms in the Health Service and the legal profession. A certain haste to meet a deadline is perhaps the explanation for a rash of misprints, and the handling of English names and titles seems to have caused the author particular trouble. This is a pity because, apart from that, *Les Anglais* provides an admirably shrewd view of England and the English today and what makes them tick. Erik de Mauny

Four portraits

CLARENDON'S FOUR PORTRAITS edited by Richard Ollard Hamish Hamilton £15.95, 144 pages

incomparable parts, that was never the wisest for any experience or misfortune which befall him." Or again: "So great a power he had always over himself that he could believe anything that was grateful to him." Thus these figures are ticked off: Lord Berkeley of Stratton, Harry Jernyn, Arlington, who had a way of "turning the graves and most substantial discourses into ridicule, which was a wit much in fashion." They had ridiculed the old man. Here we may say - thanks to Ollard's excellent researches - that he has got his own back on them. A.L. Rowse

150 من الالصال

DIVERSIONS

I DO NOT know why the Honorary Consul was so concerned. When I got there I found that Madagascar had a perfectly satisfactory system of press censorship.



The aye-aye - small, furry, loves insects and the rainforest

Aye-eyes love cheese

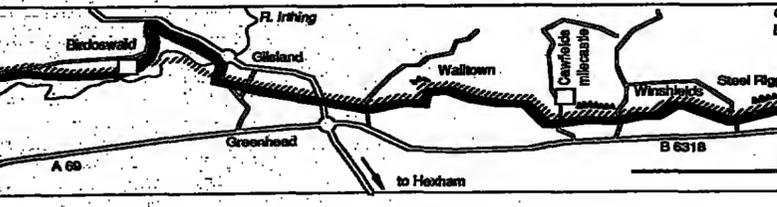
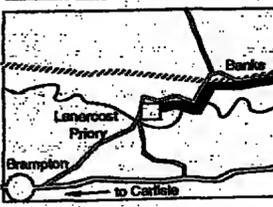
Simon Hale ventures into the Madagascan rainforest

He issued me a tourist visa and charged \$30. Actually, as I soon discovered, everyone travels on a tourist visa. BBC crews humping flight cases through customs arrived on tourist visas.

With wooden steps, I expect to run into a team of conservation volunteers at every turn. The Cotswold Way presents more difficulties.

Cultivation will come to an end sometime next century as the population at last overwhelms the forest. The only question is whether a few tracts will be spared, and on what terms.

It's better still to be there. We finish our stew and cheese. It's dark now. Pat checks her torch. Cheese rind is scattered on the leaf litter like giant tomatoes.



Walks Through History In the footsteps of Hadrian

THE CLEAR bubbling of a curlew came over on the wind as I left the car at Sewing Shields, on the roof of England.

300 years the Wall was over-run and finally, towards the end of the fourth century, it was abandoned. Today we see the remnants of Severus's Wall. It is still in a fair state of preservation.

The monumental scale of Hadrian's Wall is paralleled by the magnificently wild and pleasant contrast to Housestead's, rarely do man-made features blend so perfectly with nature.

As you approach the village of Gilsland the Wall disappears, to reappear on the Cumbrian border at Fellhouses Burn. Thence it passes through the old vicarage garden in Gilsland and descends to the river Irthing at Willowford.

Returning to the Wall you traverse above the 100-foot

sheer cliffs of Craig Lough. Peer over the edge to the reedy lake with its gliding swans and you may see rock climbers at work on the buttresses and crags.

Continuing west the cliffs become lower as you cross Steel Rig. Beyond which is a National Trust car park. For most of this section you can walk along the crest of the Wall itself.

Birdswald is a large, five-acre fort in which has been found the commandant's bath-

way listening for grubs under the bark. You saw a pale belly? That's the aye-aye's right. Maybe it's a new subspecies.

After midnight, Roger and I tramp back down the road, I to the hotel, he to his village. He's learning English, his third language, but he can't leave home for university. He is the oldest son. His family depend on his earnings.

Pat is well aware of the problem. She visits all the villages. There will be technical assistance to convert the hillsides to intensive cultivation, she promises, to dig irrigation canals and grow paddy rice.

He presents a letter signed by his colleagues. It refers to the planned nature reserve as 'the American forest.' Pat protests that they are a joint American-Madagascar team.

She will present their views. The loggers too are in her hands, though until their licences expire they remain a threat. Next day Pat gives me a lift to Tana. It is a profound relief to be cramped in a Land Cruiser rather than a Malagasy bus.

The Honorary Consul is interested in wildlife, too, I was told. He would be visiting Madagascar, accompanied by a travelling party with a House of Lords shooting party.



Goldsmith: Nature's gifts are not provided unconditionally

A society that lost its Way

I AM A traditionalist. By that I mean that I see traditional society as the best we can achieve, and traditional man's view of the world - or of the biosphere, or world of living things of which such a society is largely the product - as embodying the only wisdom.



Traditional man has always known that the living world is one. As Father Placide Tempels wrote in his book *Bantu Philosophy*: 'For primitive man, the supreme wisdom consists in seeing the Cosmos as reflecting the unity of the order of living things.'

Traditional man also realises that it is from the living world that man, like all other forms of life, derives those benefits on which his welfare must inevitably depend and without which he cannot survive.

Traditional man also realises that Nature's indispensable gifts are not provided unconditionally, as we naively assume them to be. The natural world only dispenses them if we religiously respect its 'critical structure.'

Finally, traditional man interprets any disaster - whether it be drought, flood, earthquake, famine or epidemic - as a sign that the other members of his society have diverted from the 'Way,' and that the only conceivable way of remedying the situation is to correct that diversion and return to the 'Way.'

Unfortunately we tend to interpret them as the symptoms of 'underdevelopment,' as of our failure to have diverted sufficiently from the 'Way,' an interpretation which justifies more economic development, still further increasing the seriousness of our problems.

I am afraid to say that if man is to survive the next few decades - as he will have to learn very quickly to interpret his problems correctly, as our ancestors did for tens if not hundreds of thousands of years. It will then become apparent that there is no alternative but to correct that gross diversion from the 'Way' that was triggered off by the industrial revolution, and to re-adopt a cultural behaviour pattern that seeks once more to preserve the critical structure of the living world.

Thus the Greek poet Hesiod tells us that 'when men do justice and do not go aside from the straight path of righteousness, their city flourishes and they are free

from wars and famine... For them the earth brings forth food in plenty, and on the hill the oak tree bears acorns at the top and bees in the middle; their sheep have heavy fleeces, their wives bear children that are like their parents.'

The Taoists in China referred to very much the same concept as the Tao. The Buddhists called it Dharma, the Indians of Vedic times R'ia, while the ancient Persians knew it as Asha. We can best refer to it as the 'Way.'

Among all these peoples the 'Way' was identified with their traditional social law - technosphere, or man-made world - the product of economic development or 'progress' - as the source of all benefits.

Modern man, of course, is committed to precisely that path that will most disrupt the critical order of the Cosmos; since economic development means systematically replacing the biosphere or natural world with the technosphere or man-made world. This explains why the destruction wrought to the natural world in the last 40 years, during which economic development has really got under way on a global scale, is greater than all the destruction done to it since the beginning of man's tenancy of this planet.

Significantly, modern science and hence modern scientific ecology (as opposed to the ecology of the Ecological or Green movement) rejects the very notion of the natural world's 'critical structure' or the 'balance of Nature.'

For science, the world is but a largely random arrangement of bits and pieces that we can rearrange to suit our short-term political and economic purposes with total impunity. For the economist, the 'balance of Nature' is exclusively seen as resources crying out to be developed or, more precisely, cashed in and transformed into man-made commodities.

For modern man the technosphere or man-made world is the sole source of benefits. It is only in terms of the availability of man-made commodities such as cars, refrigerators, plastic buckets and processed foods that his standard of living is measured. Real biospheric benefits are simply taken for granted and are not even taken into account in that preposterous accounting system called modern economics.

Roger Gilbert

DIVERSIONS

Eating Out

You are what you eat — so keep it clean

WHAT ACCOUNTS for the present dramatic incidence of food poisoning — particularly worrying in that it attacks the most vulnerable among us: babies, the elderly and the pregnant? What can we as consumers do about it, and how can we encourage restaurateurs to take better care of us?

One important factor has been the change in the role of government. During the Second World War the then Government intervened successfully in the nation's food policy. This was done after 1945 but with less beneficial effects, epitomised in the 1953 Government Flour Order, which condemned this country to 30 years of appalling bread.

Almost imperceptibly, various governments have sought to abandon these responsibilities, and the situation has deteriorated dramatically since 1979. Only the emergence of Aids saved the Communicable Disease Surveillance Centre in Colindale, which has since done valuable work on salmonella and listeria. Two weeks ago funding was withdrawn from the Institute of Food Research at Bristol — our major research centre for meat and meat products — and last week government approval was granted for the sale of a range of irradiated products, despite lack of evidence that they are safe. At the same time the body of Environmental Health Officers, whose job it is to patrol public eating places, is understaffed by 400.

In addition, two methods of passing on the basics of hygiene and the common sense which underpins it are in decline. The first and more traditional, from mother to child, is weakening as more mothers work away from home; the second, the teaching of Domestic Science in schools, has declined.

The void that this has left in our natural defences has been filled to some extent by the supermarkets, which have taken it upon themselves to lay down strict guidelines for their suppliers and customers. However, their achievements reveal another change in our food habits which can increase the risk of food poisoning: the large weekly family shopping trip, with a high percentage of convenience and cook-chill foods, has now replaced the more frequent visits to specialist food stores.

The distressing fact is that today the only people to be

trusted with looking after what we eat are ourselves: if we feel that we are not up to it, or that those in the catering trade are letting us down, we must do something about it. Basic information on this subject is available in *BBC Food Check* by David Edwards and Peter Bazalgette (BBC £2.99), but unfortunately it is patrolling in tone and badly written. A more serious and important book is *Safe Shopping, Cooking and Eating* by Professor Richard Lacey (Penguin £4.99). The 56 pages in this book would cost a lot of money if it were not a book of discomf.

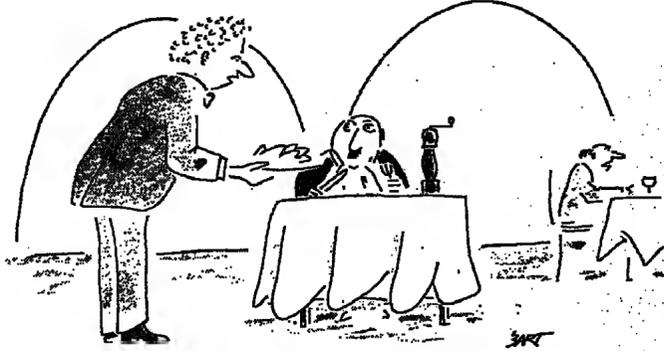
Most restaurants do consider hygiene to have the importance it should but there is always the human factor. Although basic principles may be laid down, staff arriving late, often because of transport problems, may not have time to be completely scrupulous. There is also the case where a customer may choose something which he knows (or someone does not) that he is allergic to. Who is to blame? Both restaurant and customer will unfortunately suffer.

In my seven years as a restaurateur I received six or eight letters a year complaining of food poisoning — and I served 2,250 meals a week. The most common cause was that someone had eaten shellfish, with the most immediate and dramatic effects. However, once a thorough investigation had eliminated our bivalves — and copy bills and new automated kitchen orders allowed verification not only of what the customer ate but also how the offending dish was sold — the next most frequent cause of stomach upsets was excessive alcohol.

Too frequently the letters of complaint came from those who had started with pre-dinner drinks, then had white and red wine and finished with liqueurs. Taken late at night this mixture was often the culprit, but explaining this sometimes proved difficult. This point is confirmed in the two books mentioned above, which also recommend plenty of bottled water.

In the fight to maintain standards restaurants do start with certain advantages — they employ trained professionals and have to answer to the Environmental Health Officer (who informed restaurants in London's West End to use powdered eggs two months before the egg scare broke last year). They have also been the first in food handling, however, many of these are now available for the domestic kitchen.

The biggest breakthrough has been the introduction of a range of six plastic chopping boards (from £10.40 each) colour coded for various different foods. These minimise cross-



SOME FRESH SALAD WITH YOUR PEPPER, SIR?

contamination of food and will change your cooking habits for the better. There is also a range of knives, colour coded to match, from £3.50 each. They are all available by post from Andrew Nisbet and Co. Freeport (BS 4675) Bristol BS2 0TZ (tel. 0272-555643), which is doing a roaring trade in them as well as in stainless steel pots and pans as a result of the aluminium scare.

The catering trade must, however, realise that the potential of the present food poisoning epidemic (as Professor Lacey calls it) could be as damaging as the anti-alcohol lobby may be to the drinks industry. It must seize the initiative. There are now a number of culinary competitions, national and local, which should be stressing the importance of hygiene. One of our large hotel or restaurant chains should see the effectiveness, both in human and publicity terms, of issuing every one of its employees with a copy of Richard Lacey's book — for bulk orders it may cost no more than £1.50 per copy.

Ultimately, though, the responsibility lies with you, not just in getting up to date with what is or is not good for you, but also in learning how to prepare and cook your food. And these responsibilities now continue into the restaurant: if

served by someone who clearly ignores the most basic rules of personal hygiene you have even more justification for bringing this to the notice of the restaurant than if your steak was overcooked.

In 1981, as a result of a viewer's letter, television chef Philip Harben was officially requested by the BBC for using the same spoon twice while tasting a sauce on camera. In a programme earlier this year Marco Pierre White, the ultra-fashionable south London chef, tasted his sauce with his fingers and his sauce had his long locks cut for the cameras. Times have changed indeed.

Wine

The 'kings' of Alsace

NO WINE-GROWING region in Europe has had a more turbulent history than Alsace; not even periodically invaded Champagne. It has a wine-making record as ancient as most of the rest of France, but has been repeatedly ravaged by contending armies.

Under such circumstances it is nothing short of amazing that one family, which in devastated Hiquewilr began in 1539 to grow and sell wines on the eastern slopes of the Vosges, should have survived and flourished until today to celebrate its 350th anniversary; Hugel & Fils. And throughout in the male line.

Although the Hugels can trace their origin in Alsace back to the beginning of the 13th century, it was in 1637 that Hans Ulrich Hugel settled in Hiquewilr and eventually became head of the important Corporation of Winegrowers.

No less remarkable is its stubborn continued existence (along, be it said, with other important wine houses) during two German occupations, when Alsace wines were only treated by the German wine trade as blending wine, often made from inferior but highly productive grape varieties. Indeed this blending continued until 1970 when the Alseltians insisted that every drop of their wines had to be bottled in Alsace. Germany is still the largest foreign customer.

In the interim period of slump throughout the wine world Alsace again had a formidable struggle to re-establish



Jean Hugel

itself, and only by great efforts replanted much of the region with quality vines; but when part of France again in 1945 it had to start pretty well from scratch.

This is why no *appellation contrôlée* was allowed until 1962, and then only a generic 'Alsace', irrespective of a wine's quality. But in 1983, after a great deal of controversy, a superior appellation of Grand Cru was granted to 25 special vineyard sites, with a further 23 added in 1986.

Although by no means the largest Alsatian wine firm, Hugel's has long been to the fore. Today it is by far the most prominent Alsace house in the export field, exporting 30 per cent of the 200,000 cases it sells each year.

It was the leader in producing and marketing the sweeter, richer wines that used to be called, like similar German wines, Spätlese and Auslese. But since the 1968 vintage they are labelled with the clumsy, but at least French, terms of Vendange Tardive and Selection de Grains Nobles. It was Jean Hugel who devised these names that later were adopted by other firms and in 1984 became law.

These descriptions are highly controlled. A grower has to inform the authorities 48 hours in advance of his intention to make a late picking or a berry selection, and officials will be present at the pressing to ensure that the minimum degrees are achieved naturally. For Vendange Tardive, 12 for Riesling and Muscat and 14.5 for Gewurztraminer and Tokay Pinot Gris; and for Selection de Grains Nobles, 14.3 for Riesling and Muscat and 16.4 for Gewurztraminer and Tokay Pinot Gris.

Fifteen months later members of the 40-strong committee of Vendange Tardive producers and 10 Grains Nobles growers hold blind tastings to decide whether the wines submitted can be labelled as their growers wish.

Across the Rhine these wines would be considered as Beerenauslese, and often they achieve the level of richness and concentration of a Trockenbeerenauslese. They are the result of the botrytis (noble rot) that shrivels the grapes, reduces the water content and creates their seductively luscious taste. But this botrytis is much rarer on the Vosges mountainsides than on the Rhine and Moselle, or in Sauternes.

The most recent leading vintages were '76, '81, '82, '83 and '85. Quantities may vary from 250 cases for the Vendange Tardive selection to a dozen or so for Selection de Grains Nobles, but 1988 is expected to be the most prolific year since 1976.

A special feature of the anniversary celebrations that I

attended was a tasting of a dozen Selection de Grains Nobles from 1988 back to 1934. I found the two Rieslings — '88 and '76 — particularly attractive as they were more elegant, less overwhelming than the eight Gewurztraminers — '81, '76, '71, '67, '62, '45 and '34. The two Tokay Pinot Gris were '83 and '76, and the younger was perhaps the richest of the whole tasting, with a luscious oenose bouquet and almost a liqueur-like flavour; perhaps almost too rich.

Of the exceptional Gewurztraminer range the '81 seemed too young and aggressive, as they can be, but the '76 was beautifully balanced with a long flavour in the mouth. The '71 appeared slightly diminished on the nose and had less of the typical 'strike' much of the typical 'strike' of the '76. The '67 was golden in colour and a little 'medicinal', rather like an old sherry, but the '61 was surprisingly pale, elegant and firm, with a prospect still of long life. The '59 was lightly coloured, with an aroma of tobacco, and very rich in flavour. A great year.

The '45 had an orange tinge with a lovely apricot bouquet, a little light in flavour but still wonderfully complete. An indication of the rarity of such wines is that whereas Yquem produces no more than 9 hl per ha (the Sauternes appellation limit is 25 hl), the '45 yielded only 5 hl. Finally the '34 had a slightly diluted orange flavour, a shade hard, yet it was eminently drinkable after 55 years.

The proportion of Vendange Tardive to Selection de Grains Nobles is usually about three to one.

The celebratory dinner at the three-star Amberge de Mill two of these rare wines were served to about 140 guests: the Vendange Tardive Tokay Pinot Gris '81, a very big wine with years before it and the Gewurztraminer Selection de Grains Nobles '83, an enormously concentrated wine, luscious and powerful. The final wine was Hugel's latest experiment — a 1988 Vin de Paille. This wine had been made by the Hugel's in the 1730s. The 'straw wine' was made from grapes that had been dried before being fermented earlier this year: extremely raisiny and intensely flavoured. Such wines are great rarities in France. Only 500 half-litres had been bottled and deserve keeping for many years by the enthusiasts who were each given one (the female guests received scarves).

This wine will not be sold, but small quantities of the Vendange Tardive and Selection de Grains Nobles are exported, and are inevitably expensive. Occasionally these wines come up in the auction rooms and are likely to fetch around £200 a case.

A remarkable 350th anniversary was most appropriately marked by a symbolic planting of Riesling vines on Hugel's Grand Cru vineyard on the Schoenenburg hill, that steeply overlooks Hiquewilr.

Each guest was given a healthy-looking vine, labelled with his or her name and asked to drop it into a prepared hole. At the same time a glass of Riesling wine was provided, which was poured into the hole after an initial gulp, and the biscuit-coloured soil filled in. Maybe a Selection of Grains Nobles or Vendange Tardive wine in three or four years time.

Edmund Penning-Rowell

Gardening

In praise of potions

AS THE arguments about the use of chemicals by gardeners — fruit-growers and farmers become fiercer and more confused, it seems sensible to restate a few facts that should not be controversial.

Green plants are designed to live on chemicals: animals are not. It is a difference so profound that many people find it difficult to grasp. Fertilisers, they assure me, are just tonic; what plants require is a good square meal of organic food.

In fact, plants have the unique ability to synthesise their own complex organic compounds from water, oxygen, carbon and a few other chemicals variously available to the soil. They use sunlight for energy and the green colouring of their leaves as the catalyst.

It is a stupendous achievement, but it comes entirely naturally to them. So there is no need to use anything but simple chemicals to feed plants, provided they are the right chemicals, in the right balance, accompanied by the right physical conditions to enable the plants to get on with the job. All of this largely depends on good soil management.

The use of pesticides and herbicides is a different matter. It extends far beyond simple chemicals or naturally occurring compounds into the realm of wholly man-made molecules made possible by our relatively recent mastery of the necessary techniques. Since many of these compounds are entirely new, it is only possible to discover what effects they will have by trial.

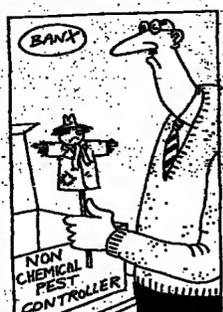
For many there is no practical use. Some are too dangerous to be released; some remain unchanged in the environment for too long a period to be satisfactory. Some tend to accumulate in certain creatures which acquire them at the end of a food chain so long that the connection between first use and final resting place is not immediately apparent.

So it is not surprising that over the years mistakes have been made and disasters have occurred, or been narrowly

averted. It is right that there should be constant watchfulness, though the laws and regulations now in force controlling the sale and use of farm and garden pesticides are almost certainly sufficiently stringent to prevent any further serious errors.

The pesticides and herbicides that can be used in Britain are determined by the Ministry of Agriculture, Fisheries and Food, and the list is much more restricted than those

used elsewhere. I am told that the Royal National Rose Society, which has not tested this product and found it exceptionally effective against rust (which appears to be epidemic this year) played some part in getting a rather serious release than might otherwise have been expected. However, I understand that all the safety checks have been carried out and that it is entirely safe to control diseases caused by rust, which is a very common pest, and which is not so dangerous as some of the more serious pests, such as the greenfly, which is a pest of roses. I am told that the Royal National Rose Society, which has not tested this product and found it exceptionally effective against rust (which appears to be epidemic this year) played some part in getting a rather serious release than might otherwise have been expected. However, I understand that all the safety checks have been carried out and that it is entirely safe to control diseases caused by rust, which is a very common pest, and which is not so dangerous as some of the more serious pests, such as the greenfly, which is a pest of roses.



who lack special training in the use of such chemicals.

Every pesticide and herbicide on sale in garden shops has passed all these tests. The most up-to-date published list of these chemicals is the *Handbook of Garden Chemicals*, 1989, which can be obtained for £1.95, plus postage, from the British Agricultural Chemicals Association, 4 Lincoln Court, Lincoln Road, Peterborough, PE1 2RP.

This list each product under its trade name, explains what chemical or mixture of chemicals it contains, what it is used for and what company supplies it. Also, where relevant, it gives the interval that must elapse between last application and harvesting of any food crop which it reaches.

The list is constantly updated; yet, even so, it does not include Syntrophin, which contains cyclaniliprol, a fungicide that was released only recently for the treatment of mildew, black spot and rust in

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Doublet some will say why spray at all, since nature will strike a balance. So it will, but it will not be the same balance all the time, nor will it necessarily be the balance that I require in my garden. At the moment, it is the greenflies that are having a 'white-hot' time, helped by the warm, still, second dry and the air must, it may be mildew that becomes a plague. We have the means to control such natural disasters.

Arthur Hellyer

Rose of all Roses

IT IS most convenient that two of the best English gardens to be made this century stand within 200 yards of one another. It is even more convenient that quite so many of the people who visit the National Trust's garden at Hidcote, in Gloucestershire, lack the will or spare time to take in the garden of Kiftgate Court, which stands at the bottom of Hidcote's long drive.

If they did, they would see a garden which is just as memorable. Indeed, its planting in the past 30 years always strikes me as preferable to Hidcote's obsession with ground cover. They might also think twice before planting Kiftgate's world-famous white climbing rose in their own backyards.

Kiftgate is open on Sundays, Wednesdays and Thursdays from 2-6pm between April 1 and September 30. Its amazing white Kiftgate rose is showing colour in its thousands of buds when I visited last week. This Sunday, they are just beginning to open, and anyone who has ever thought of planting it up an apple tree, over a car-port or against a neighbour's shed should go and check it out.

By visiting the garden, you can be sure of the genuine Kiftgate, as cuttings of the true parent are sold at the garden entrance, priced 24 each as of last Sunday.

I know one non-gardening husband who is secretly hoping that his Kiftgate rose will be a small scented orange blossom, Philadelphia Sybil, although I did note that it had grown much taller than expected in the garden itself.

It is not exactly possible to buy instant plants of things as spectacular as the garden's pink astroemerias, which seem to improve as the years go by. I was bowled over by a white-flowered hydrangea *Kantansuura* Willott, which has reached the size of a small tree. It is a stunning example of the

One rose Kiftgate, growing free, would look decidedly surreal when seen at night against the beam from an abandoned underwater swimming-pool light.

The garden is greater, even than its great, uncontrollable rose. It stands on a high escarpment which slopes down a dry bank, about the most difficult site of all. It is here that I first learned the value of campanula *Litloba* Highcliff, because it is a spectacular sight on the dry bank on gaps between the shrubs and plants of it are sold with the



white and pale lilac form on stands at the garden gate. They are superb plants for difficult places and awkward corners.

The plant stands, by contrast, are excellent sources of some rare varieties. Last weekend, you could have bought sizeable ramondas at £2.50 each, and I think I had a few unthoughtful examples of the small scented orange blossom, Philadelphia Sybil, although I did note that it had grown much taller than expected in the garden itself.

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rarest and least obliging ideacap member of the family; up the road, *Hidcote's* plant of it is much smaller.

This time, I sat with a pair of two particularly good shrubs. Some people write as if the deutzias are shrubs at the top of the second division — worthy, somehow, but lacking in finesse. The problem, in my view, is to choose the best one.

At Kiftgate, there are plenty of them; but anyone with an eye would choose *deutzia*. This *deutzia* is a shrub that carries bunches of starry little flowers.

The presiding genius of the garden, Mrs Bliny, rates it as the best of the family because it flowers for so many weeks. She also says it is one form which should never be pruned.

The other winner seems wholly forgotten in most garden centres and nursery lists: *Viburnum Hillieri* is easy and spectacular late in June when it covers itself in discrete cream-yellow flowers all over its wide-spreading branches.

When two great gardens stand so close together, their owners either fight or make friends. The great Lawrence Johnston, genius of Hidcote, co-existed happily with Heather Muir, the genius of Kiftgate; he even painted a flower picture on the wall of the room which has become Kiftgate's tea-room. In 1981, the National Trust transferred the picture up to Hidcote.

It did not, however, take viburnum *Hillieri*, which is rather smaller at Hidcote than at Kiftgate. I often wonder which of these two great gardens thought of their good ideas first. The viburnum is so good, indeed, that at first I walked all round the garden without noticing it. We visitors are earth-bound creatures whose instinct is to look down at our feet, not upwards and onwards to the framework in which the smaller plants are set.

Robin Lane Fox

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July 1st 1989

HOW TO SPEND IT

A good belt and a clip around the ear are just two of Lucia van der Post's fashion recommendations
Found: accessories after the fact



James Ferguson

FOR HIM
SUMMER IS not the high point for the British male. Usually looks a bit rumpled and a bit surprised, as if he'd been caught unawares with his play clothes still in mothballs. On one of the hottest days last week I went to an elegant lunch and, almost to a man, they were clothed in their dark wool suits. Mighty hot they looked, too. Several of the better-name manufacturers produce suits made from extremely lightweight (10 oz) fine wools. They look formal enough to grace any boardroom but should see the wearer comfortably through the rest of the summer. When it comes to weekend and holiday clothes Marks and Spencer has to be the place where those who don't want to lash out on designer names should head for - apart from the washed cotton shirts, about which I have already waxed lyrical, there is also a splendid range of classic cotton chinos in all the summery colours like beige, stone, khaki and navy. If you're looking for smarter leisurewear, the sort you might wear to a summer lunch party, it is worth taking a look at Malcolm Levene's shop at 13-15 Chiltern Street, London W1. Malcolm has an exceptional eye and offers for men the kind of hard-to-find specialist boutique service that women are so used to but that is almost non-existent for men. At the moment he has some lovely light-wear garments from Italy which solve perfectly the problem of looking reasonably formal and well-dressed but not stuffy. Sketched above is a small collection from the range. The pure woven linen dark grey jacket is £229, the linen and cotton trousers, £98. The grey and white striped shirt in cotton and linen is £89 and the silk, cubist, rather jazzy tie in shades of black, grey and white, is £29. The shirts sketched come in very light, attractive cotton, linen and viscose mixes and in combinations of black, grey and white, £59 each.



FOR HER
THERE ARE those whose response to the "fall wardrobe but nothing to wear" syndrome is to rush out and buy some more clothes which make the wardrobe even fuller but don't always seem to solve the problem. The really well-dressed, however, understand that what this calls for is some new accessories to update the clothes they already own. Many of us were brought up on the mythology of clever French women who twirled a scarf here, a dashing belt there, added a pair of up-to-the-minute earrings and rings - she looked a million francs. But it's more than myth - it really does work. A stylish belt can update not just one dress but several. A new season's pair of shoes freshens up any wardrobe while we've all seen how mood can be established by clever jewellery. Pearls and gilt-and-pearl earrings speak of ladylike elegance, punchy earrings add dash, gold at the neck glamour and so on. So next time you get the urge to rush out and buy a new outfit think twice - maybe what your wardrobe really needs is a really good belt (and remember that even if that costs you as much as £90, it will go on working for you, in countless ways, for years) a more up-to-date pair of shoes, some stylish jewellery, or even just a better, zappier handbag. At two recent rather large and grand occasions some fellow guests illustrated the principle perfectly. One, an admittedly stunning blonde who would have looked good in rage, had completely customised her simple Next outfit of long-sleeved black blouse and long, pleated skirt by adding Chanel-style gilt buttons at cuffs and down the front. She linked the two with the newest real Chanel belt (you buy the belt and with it comes a dangling, detachable miniature quilted, gilt and ribbon-handled handbag) and sporting glit, indisputably

real, Chanel gilt earrings. All those accessories will go on adding zest to her wardrobe long after the Next number has been sent to Oxford. Another guest was wearing a simple black dress of no particular lineage (so far as I could tell) but it was transformed by an amazingly generous and dashing black and white chiffon scarf-cum-shawl. The same principle could be seen at another party where an elegant fashion designer was wearing simple black trousers and a top. The outfit was completely made by one eye-catching, ethnic-looking necklace. This summer's look is quite strongly ethnic, so freshen up the wardrobe with bold and colourful ethnic jewellery, either big and gold or brilliantly jewel-coloured. Look out for animal print chiffon shirts and sarong-styled skirts. A pair of sharply-cut city shirts will update any jacket, a little suede bomber jacket for cooler days looks very NOW. Indian embroidered slippers - preferably from Romeo Gigli or from Callaghan - are in most fashion editors' wardrobes. For the trouser-wearing brigade jodhpurs are this year's choice. Miniature rucksacks are doing double-duty as handbags or carry-alls, while under suit jackets substitute a black lacy bra for a stiff shirt or blouse. The young and long-legged look good wearing long jackets over leggings or stretch trousers (preferably Marion Foale's at £79 a time from 14 Hinde Street, London W1). Sketched here, for those whose wardrobes are in urgent need of a pick-me-up, are just some of this summer's accessories: A. Immediately recognisable, Chanel's gilt earrings with the signature linked Cs at the top. Clip-ons only, £90 at Chanel, 31 Sloane Street, London SW1 or 26 Old Bond Street, London W1. B. The sandal for holiday wardrobes - Martine Sitbon's gold metallic leather. Sizes 36-40, £109 from Janet Fitch, 2, Percy Street, London W1. (p+p £1.50). C. Jasper Conran's pig suede evening handbag (very 1980s) in black, pale blue, pink, red or taupe, £96 from The Jasper Conran Shop, 303 Brompton Road, London SW3 or from

Romance goes to the head

YOU WERE warned. I remember very clearly last year John Frieda, the fashionable London crimpier, telling us that dressed hair was the incoming fashion. The simple wash and blow would be all very well for those with empty diaries but anybody with any events at all to go to would be requiring the services of the finest in the land to crimp and twist, tease and dress. Elegance for women's crowning glory is in with a vengeance. Here is a summer look devised by Errol Douglas of Edmunds of 49 Beauchamp Place, London SW3. (tel: 01-589-5958). The idea is to conjure up romantic visions of beauties waiting in English gardens - the hair itself is scrunch dried into the required shape or direction using the hands) and then interwoven with wafes and thin rope and rolled into a soft, slightly droopy chignon.



Beetle blaster

THE ROYAL Wardrobes, it seems, are being munched away. Woolly bears, the larvae of carpet beetles, have invaded Buckingham Palace and are steadily munching their way through wool, fur, hair and feathers. Woolly bears don't mind whether it's a palace or a humble sem; if it's mild and warm and there's something attractive - such as carpets, curtains and clothes - they move in. If you have the problem on not too large a scale then you might like to know about Rentokil's Carpet Beetle Killer and Moth Proofer - in aerosol form (ozone-friendly, of course) it costs £1.80 from most hardware, DIY shops and department stores. Fund's showhouse at 44, Kinsmore Gardens, Knightsbridge, London SW7. There a rather grand town house, once a bank, has been bought up and turned into five chic apartments. But from now until Thursday July 18 a whole host of our leading interior designers has been let loose on the inside and outside, swishing up curtains, stencilling the walls and conjuring up magic spaces. There is some evidence that the British obsession with country houses hasn't quite abated but many of the rooms also show the work of very young designers whose ideas run in quite different directions. What they seem to have in common is a taste for classical grandeur which they confine in the smallest of spaces. Progetti produced a bedroom that managed to be strong and welcoming but entirely devoid of clutter. Instead, there was fine detailing on the soft linen blind and the creamy cover, a bed in verdigris and gilt, and halls finished in Stucco Veneziano. ANYBODY DOING up a house or simply interested in interior design should hurry along to The Imperial Cancer Research



James Ferguson

Look out, too, for the work of Francois Gilles and Dominique Luber, of IPI Interiors, and for Jenny Armit and many more. There is a £10 entrance fee but almost all goes towards Imperial Cancer Research. Lend me your ears earrings need neither clips nor pins and butterflies to hold them on - they sit inside the ear, quite comfortably and securely. The style of them all is bold and big and three of them are sketched here - in sterling silver, all are £95 a pair from Fenwick of New Bond Street, London, W1A 3SS. LvdP

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Cookery
The good-tempered cucumber
MOST VEGETABLES need to be cooked just before serving if they are to be as fresh and delicious as they ought. But who wants to leap up from the table between the first and main course to cook them? In summer the problem is generally less fraught than in winter because a salad so often fits the bill well, or the vegetable element of a meal may be taken care of by serving a dish of globe artichokes, asparagus or radis au beurre at the beginning. Of course salad vegetables are not only good raw. They are also excellent served hot and few vegetable dishes seem more willing and able to tie in with things and oven temperatures that suit the cook than braised lettuce and cucumber. Delicious and marvellously good tempered, I find them invaluable. Prepare lettuces by blanching them whole and squeeze dry. Cut cucumbers into matchsticks, sprinkle them with a mixture of salt, sugar and vinegar to draw out of some of their juices, drain and pat dry. Turn the vegetables in melted butter, season them well, adding a splash of lemon, vinegar, vermouth or sherry. Prepare ahead up to this stage if you like. Then cover and bake in a gratin dish until tender. Use a low or moderate oven, depending on what else you are cooking, and turn and baste the vegetables once or twice as they cook. Potato gratins baked with milk or stock, and maybe some additional flavourings, are other gratifyingly adaptable vegetable dishes that endear themselves to the cook. The only trouble is that their reliability is almost too well known - like baked potatoes they seem to have become everyone's standby. Here is another, less well known way with potatoes that makes life easy for the cook. It is followed by a deliciously simple tomato dish that goes particularly well with plainly cooked poultry, meat and fish - grilled, baked, roast, poached or steamed. CUCUMBER POTATOES WITH HERBS (serves 6-8) 8 lb potatoes; a few spoonfuls each of fruity olive oil and freshly squeezed lemon juice; plenty of thyme or more modest quantities of fresh chopped rosemary needles. Peel the potatoes and cut them into 1-inch dice. Put them into a pan with just enough cold salted water to cover them. Bring quickly to a fast-boil and boil for about five minutes until just tender. The trick with this dish is to cut the potatoes into evenly-sized pieces and to boil them to the right degree. Drain the potatoes well and return them to the pan. Pour on four tablespoons of lemon juice and four or five of olive oil. Season lightly with salt and pepper, sprinkle with herbs and mix gently but thoroughly. Cover and set aside. Everything up to this stage can be done in the morning, or even a day ahead of serving. fraiche; a little lemon juice and sugar; 2 1/2 oz brown bread. Skin the tomatoes and slice them, cutting out the woody cores. Put them into a well buttered gratin or baking dish, arranging them just overlapping, like tiles. Season the tomatoes with salt, a good grinding of black pepper, a pinch of sugar and a squeeze of lemon, a combination of flavourings which magically rounds out the thin flavour of sallow tomatoes. Add flakes of butter and a scattering of fresh-torn basil leaves, or modest quantities of tarragon, between layers. Add no butter or herbs to the top layer. Finish the dish instead by drizzling on the cream and spreading it on smoothly with the back of a spoon. Reduce the bread to coarse crumbs and toast them in a moderate oven or in a dry frying pan until crisp, but keep a keen eye on them to prevent burning. Everything up to this stage can be done well ahead. To cook, bake the tomatoes in a warm or moderate oven, 325-350 F (160-180 C), gas mark 3-4 for 20-30 minutes or so, without a lid, until the tomatoes are hot and tender and the butter, cream, and tomatoey herb-scented juices have mingled to make a "sauce." Scatter thickly with the toasted breadcrumbs as you bring the dish to table. Philippa Davenport

HER LAUGHTER LIVES ON.
Laughter in the face of adversity was never better exemplified than in Jacqueline du Pré. Her brilliant career was cruelly cut short by multiple sclerosis at the age of 27. Yet she remains an inspiration even after her death. Now her courage is remembered in a nationwide appeal to help young professional musicians cope with crippling disease. The prime aim is to provide facilities for those able to live at home, and specialist care for those who cannot. It will also help to finance a music building in her name at St Hilda's College, Oxford. Miss du Pré was not the first gifted young musician to be stricken by disease. She will not be the last. Please help us reach our target of £2m by sending your donation, large or small, to the Jacqueline du Pré Appeal. (Charity No. 800373), 14 Ogle Street, London W1P 7LG.
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ARTS



A recent photograph of A.J. Ayer

A.J. Ayer: the end of an era

FIFTY THREE years ago, a beautifully clear, slim volume took the philosophical world by storm. Its main contention a noble simplicity: the only statements which are meaningful are those which in principle can be verified...

Robin Lane Fox remembers an old colleague from New College

A.J. Ayer, the most famous name in British philosophy since Bertrand Russell. His ethics and absence of religious belief were even blamed as a cause of the Second World War. His inspiring lack of any religious conviction was never answered on any of the television programmes where he expounded it...

WHEN WOLFGANG Sawallisch was chief conductor of the Vienna Symphony Orchestra in the late 1960s, he refused to have a concert series named after him in the way that Herbert von Karajan and other illustrious predecessors had done...



Wolfgang Sawallisch taking a curtain call after a recent performance of Die Frau ohne Schatten at the Bavarian State Opera

The complete musician

Andrew Clark talks to the German conductor Wolfgang Sawallisch

1971 and director since 1988, Sawallisch was born in Munich and conscripted into the German Army at the age of 18. His war service as a radio operator in Italy fostered a lasting love of the country and its culture...

By 1938 over the music of the young Anja Silja, who featured the composer's grandson to the point where, according to Sawallisch, she was encouraged to interpret every leading Wagner soprano role, whether or not it suited her voice and temperament...

When Gunter Bennert was looking for a new music director for the Bavarian State Opera in the late 1960s, he recognised in Sawallisch someone capable of combining the tradition in Munich that extends back through Clemens Krauss and Hans Knappertsbusch to Felix Motil and Hans von Bulow...

There has been a regular visitor for the past 25 years and where he will conduct a new Meistersinger production next February. It also explains his refusal to conduct the Ring with any other orchestra: "When I first conducted the Ring in Munich, it was a big experience for me. It was my first contact with a traditional Ring orchestra..."

Sawallisch, the Bavarian government appointed him director in Everding's place in 1983. There were plenty of precedents for conductors running opera companies, but Sawallisch has illustrated some of the disadvantages. In his attempt to balance heavy musical commitments with opera house management, he has overworked himself...

is the first to admit he is one of his rational creatures. It is one reason why he has always preferred to guest conduct in Japan rather than London or Berlin. He admires Japanese discipline and order. It seems to be a case of mutual regard: a Japanese company is financing video recordings of the Munich Ring and Argolis.

EMI has also helpfully renewed its interest in Sawallisch: there will be a series of Brahms symphony recordings with the London Philharmonic without public concert, Beechoven with the Concertgebouw and more Dvorak from Philadelphia. But the music of Richard Strauss, which will be recorded in Munich, remains Sawallisch's first love.

The incandescent quality which Sawallisch brings to his theatre performances of Daphne and Die Frau ohne Schatten reflects his conviction that the later operas are of the same quality as Mahler and Der Rosenkavalier. Each has its own special music. For him it's not a question of variable quality, it's more a matter of Strauss expressing feelings about different characters.

"What is important is to bring out the way he describes these characters in the music - in the refinement of the composition and his handling of orchestration. Reading the scores, observing what he does not just with the first clarinet, but with the second and third also - this fascinates me. Each musician in the orchestra finds something technically and musically demanding. I like to bring this out in performance."

"And all the musical and political turbulence of his life time, Strauss remained himself. He said 'that's my way'. Whether it's an early tone poem or the Four Last Songs, you can recognise his music after two or three bars. He knew who he was and what he wanted. And he never changed. I respect and admire that. Unlike most music of this century, it's impossible to copy him without being detected as a thief. There's no stylising - the music just flows from the pen, with enthusiasm, with largeness of life, his own baroque style. I like that. Strauss was Munich-born. So I. Perhaps that's a question."



Reynolds' portrait of Sir Richard Peers Symonds

Collecting in New York Good time to browse

IT IS Independence Day next Tuesday and the American holiday period, which stretches from Memorial Day at the end of May until Labor Day in early September, is well under way. New Yorkers have either already gone to the Hamptons or else pretend to have done so, and the city is relatively quiet. With the auction rooms dark, the art market is also on holiday. Nevertheless, this can be a good time to browse the galleries.

As with everything in New York, there is endless choice. The Avant-garde in SoHo and the East Village; Contemporary on 57th Street; and just about everything in the shops Uptown around Madison Avenue. The galleries in fact do little business at this time of year, which means that the interested collector will be made all the more welcome and indeed may be given a preview of the autumn's pickings.

Worley, inherited by Sir Richard's daughter, who married the Earl of Yarborough; it remained in that family's collection until 1929, when it was sold at Christie's to Lord Brownlow. Thereafter it was sold once or twice before being acquired by the British Museum in 1938. Undoubtedly it will now go to a museum.

from Colnaghi, a visit to Didier Aaron is always a treat. With three floors of paintings, sculpture, furniture and objects; this is a veritable Aladdin's Cave of the choice and the unusual, as well as much that is of museum quality. I noticed a pair of 19th-century vases, made of stone, 19th-century Japanese cloisonné vases and English 17th-century tapestries depicting the life of Mary Tudor. There is a Russian ivory dressing mirror from the time of Catherine the Great; a superb Irish 18th-century secretary, and a rare Gillow oak with inlaid brass, inlaid tables of 1818 which was made for Lord Brownlow. Among the paintings is a large Dutch family portrait of 1649 by Hendrick Cornelisz van Vliet and, on a much more modest scale, a small portrait of the French 19th-century painter Delaunay which, although anonymous, is of excellent quality.

THE MONTHLY release pattern of videos is a wondrous thing: in it you may read the biography of a year, Christmas is for comedies and children's films, (Season of peace and good will) late winter and early spring usually nisher in war and violence. (Getting all that peace and good will out of our systems). April is for fantasy and joy. And the summer is for "moving pictures" in the most literal sense: pictures about moving.

For this is the season when we are all on holiday or going on holiday. Unable to move about in our own country thanks to road works and tube strikes, we contemplate wading through the ether to other climes. And if we must wait a while to do so, we scour the video shops for a vicarious substitute: for titles like Moving (Warner), Midnight Run (MGM), Pathfinder (Quill) and Manhunter (CBS/Fox). Anything to placate those itchy feet, that year's build-up of wantonlust.

Video Placate those itchy feet

British cinema, this is now moving smartly up the Top Ten Rentals chart and is Fryor's best comic showing outside his concert films. Or why not journey to Lapland for the special Fastfender package holiday? Escorted by film-maker Nils Gaup, you will be thrown into a tale of quest, vengeance and permafrost: a boy seeking his parents' killer. You will meet the fierce Tchoude warriors, rub noses with reindeers, gasp at the scenery and win an Oscar nomination for Best Foreign Film.

insouciant, "do not disturb" charm. Percy Adlon's splendid Baghdad Cafe (Vestron) begins, ends and has its middle on a dusty American roadside. Here Germany's Marinanne Saagebracket, 250 pounds if she's an ounce, meets C.H.E. Founder, a black motelier. Founder's friends, family and motel clients include Jack Palance, a mad brother and other merry oddballs. Result: a surreal comedy with real lift-off.

Chateau Poe, Roger Corman's The Fall of the House of Usher was the first film to blend the black grape of Edgar Allan Poe with the yeasty Gothic panache of Vincent Price. Excellent. Try a taste. Or pull the cork out of A Streetcar Named Desire: a fierce, full-bodied vintage this; from the Chateau Tennessee vineyards, bottled by the firm of Leigh & Brande.

In short, whether you view videos as duty-free fine wines or as package holidays, they should be an indispensable part of your summer. Shop now for best offers. Nigel Andrews

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JUL 1 1989

ARTS

In the footsteps of Pavlova and Balanchine

Clement Crisp reports from the Holland Festival

THE HOLLAND Festival pulled off a coup this week by bringing together two of the greatest dance academies in alternating performance. And watching Lenin...

tion to America in 1933 to start a classical ballet company, he brought with him those same traditions. What he did with this inheritance, modernising, illuminating it for young bodies and a new world, is the marvel of New York City Ballet.

Yet it is significant that Balanchine's original stipulation was: "But first, a school!" He knew that, without being able to shape new, vital and "innocent" bodies, he could not make the developed classic language which both he and Kirshenblatt intended. Hence the crucial role of the School of American Ballet in providing the properly trained students who enter NYCB and there become interpreters of Balanchine's classic manner.

For instructors, Balanchine often turned to illustrious products of the Petersburg/Vaganova system, maintaining thereby the link with his own past. And unique among academic choreographers of this century Balanchine was an inspired pedagogue. He once said: "Maybe I shall be remembered as a teacher" and looking at the SAB students

over the years, and seeing how intense the relationship between repertory and schooling, one can see the reason behind Balanchine's observation.

In Amsterdam, where the two schools this week were admirably housed in the Muziektheater, the American students shone brilliant in Balanchine's Square Dance, Valse fantasie, Symphony in C, and in Peter Martins' Les Gentilhommes. In Square Dance the mercurial Sherril LaBlanc produced dazzlingly fast dancing, inhabiting the music with effortless charm, while Arch Higgins did honour to the same ballet's miraculous male solo.

In Valse fantasie, Ethan Stiefel promised magnificent things with his unaffected elegance. Symphony in C had all the ebullience, the sharpness of attack and the energy that this masterpiece needs. And in Les Gentilhommes, admirably crafted by Peter Martins, nine boys showed off a style that looks everywhere true and handsome. The evening was a triumphant affirmation of the School's past work and of its future health.



Students of the School of American Ballet

The Vaganova Academy's offerings were no less illuminating of past and future. An opening sequence was devised by Konstantin Sergeyev as a choreographed survey of daily class at all student ages. Here were those rare virtues we expect from Leningrad: harmony and beauty of position, nobility of

means, fluidity and grace in execution. In a succession of mainly 19th century excerpts, culminating in the Grand Pas from Faquita, the students displayed that clarity of image, an aristocratic presence, which is so grandly Leningrad's in dealing with the traditional reper-

tory. Their point of reference was constantly the loveliest means (and for the boys the most bravely elegant) of exposing the riches of old choreography. I admired especially Lora Ponomarenko and Yelena Kuzmina, and the heroic young Dmitri Gruzhev and Grigori Tsvetysyev in Flames of Paris. But as with

SAB, the wealthy of ability everywhere astonishes.

The meeting of the two schools was vastly rewarding for the audience. I would like to think that for the young dancers it was no less enriching. A door has been opened.

LIFT returns to London

Michael Coveney on the delights of an international theatre festival

WHY DO arts festivals matter? They give focus to the artistic life of a nation and provide opportunities for expanding our horizons. They also, incidentally, make life a lot more interesting for critics. More importantly, they can do the same for audiences.

I remember having lunch, about 12 years ago, with two young graduates of Warwick University, Lucy Neal and Rose de Wend Fenton, who were embarked upon plugging a gap between the latest trends in theatre language and the demand, as they saw it, in London for international fare following the demise of Peter Daubeny's World Theatre Seasons. Neal and Fenton were working as waitresses. Their budget extended to two notepads and a telephone line. They are still at it, still on the breadline, still heroic and only slightly more encumbered with proliferating children.

Their heroic effort, one of the great joys of London cultural life, on a par at least with Pierre Audi's Almeida music festivals, is re-launched on Monday, and London will be buzzing for the whole of July with the fifth London International Festival of Theatre, or LIFT. Eighteen productions are coming from Chile and the Soviet Union, from Jamaica and Switzerland, from Ireland and America.

The Katona Jozsef Theatre of Budapest, one of the outstanding classical companies of our day, on which I reported here last November, is at the Old Vic in Chekhov and Gogol. Anatoli Vasiliev's Muscovite version of Pirandello's Six Characters in Search of an Author, which I reviewed in Barcelona in February and which I count to be one of the greatest productions I have ever seen, is at the glorious art deco Brixton Academy. And a systematically brilliant production by Matthias Langhoff for the Comédie de Genève of Strindberg's Miss Julie, which I reviewed here in April from the Parma Festival, comes in the last week to the Lyric, Hammersmith.

I am delighted, too, to see a resurrection of Garry Hynes's 1986 Abbey Theatre, Dublin production of an early play of Tom Murphy, A Whistle in the



Scene from Anatoli Vasiliev's Muscovite version of Six Characters in Search of an Author

Two plays of the world repertoire are always more reverberative in the Eastern Bloc. One is Hamlet the other The Government Inspector. Gogol's tragic satire is appallingly appropriate to contemporary Hungary, with its provincial community erupting in panic and dismay at the impending arrival of a new broom. The place, an economic disaster area, is one of metal lockers and pigeon holes, plastic briefcases, cheap cardigans, bad haircuts and malfunctioning machinery. The communist dream grown sour and decrepit, hedged around with bribery, corruption and incompetence.

LIFT supporters will fondly recall the Chekhovian spectacular Cereza at the last festival. That show's director, Vasiliev, is back in town with his shattering Pirandello experience in Brixton. For the first time, Pirandello's theatrical metaphors of reality and artifice are taken to the limits, with a second act in the brothel of startling audience involvement. Spoken in Rus-

sian and Italian, the text, of which the performance is an inspired deconstruction, is underpinned with the insidious Spanish love song "Besa me mucho." Again, Vasiliev's troupe is one of utter ensemble commitment; Vasiliev teaches at the Moscow School of Dramatic Art and his company, previously encouraged by Yuri Lyubimov as an experimental wing of the Taganka Theatre, has been rendered itinerant since Lyubimov's defection to the West.

Langhoff's Strindberg, like Vasiliev's Pirandello, is the best sort of answer to that anomalous, usually critical, creature, the theatrical purist, who considers classic work to exist in a civilised vacuum. Physical daring and intellectual disquisition are endemic to exciting theatre, and Miss Julie is an important addition to the performing canon now built up around one of the most influential plays of the last century. The controversial last scene will either upset your stomach for narrative niceties, or convince you that

Langhoff has something valid and interesting to say about the Strindbergian nature of sexual psychopathology. Either way, the show is of "must-see" vitality and consequence, unlike anything in our own dear repertoires.

There are many other worthwhile events around town. More information can be had on 01-240-2428, telephone credit card bookings can be made on 01-636-1702. The whole thing is costing just £560,000, an amount covered by grants (the Arts Council, the South Bank Centre, the British Council) totalling 60 per cent of that figure, sponsorship (Baltic Shipping Company, the Mars Group) of about 18 per cent, and a projected box office and earned income of 22 per cent. There are also workshops and a series of talks at the Institute of Contemporary Arts, kicking off next Thursday and Friday with an Irish Theatre symposium and a discussion with the great Vasiliev, who has already acquired a global reputation for taciturn eccentricity.

'Alice' Kemped up

THE IDEA that Lewis Carroll's Alice stories are a 1960s-type magical mystery tour isn't new, and I'm surprised that Lindsay Kemp, that merchant of 1960s-type sensations, has not got around to it before now. His Alice, new last year and currently being seen for the first time in Britain at Sadler's Wells, also borrows some ideas from other treatment, but this could only be a Kemp show. The heroine and author also appear in their real-life personae as the Rev. Charles Dodgson and Alice Liddell. But Dodgson's affection for Alice - a theme handled with delicacy and poignancy in the Dennis Potter film Dreamchild a few years back - is here foggy served up as gully paedophilia.

In one garden scene the Monkey, a dancing Dragonfly (on points), the Frog and the Parrot team up in pairs, remove their animal heads, embrace and kiss. (This being Kemp, they are all male.) Dodgson enters and finds Alice. They kiss too. Enter the

Red Queen to interrupt and punish. Victorian values, geddit? Similarly, just after Alice has collapsed the court with her cry of "You're nothing but a pack of cards!" the White Knight starts a "Nothing but love" song and lo, they all join in, and group resurrection plus freedom from guilt are at hand. All you need is love, remember? But the Queen of Hearts defies this. Off with his head! And then the headless White Knight turns out to be the defrocked Dodgson - now looking like a prime postulant for Reading Gool.

Most of it would be tolerable if it was staged with sensitivity. But this Alice, like all Kemp, belongs to the Theatre of Excess. The Duchess and Cook batter the baby with a metal ladle and bash it on the floor. The Queen of Hearts whistles an onstage decapitation and plays croquet with the head. And Alice is as protegee as anybody else, plainly mocking the role's childishness with an exaggerated giggle and half-imbecilic manners. She makes eyes at the audience, at

Dodgson and at several other characters.

Though all the characters are excellently attired in Tenniel style by Silvia Johnson, they none the less seem bizarre because of the uniform Kemp trade mark - chalk-white make-up and thick black eyeliner.

I hadn't seen any of Kemp's other new work in this decade. Nothing, however, has changed since the 1970s except that it once had more vitality and conviction. Good acting and good dancing always were, if not impossible, at any rate stylish in the trashy drag-show that is Kemp theatre. Coarseness is all. Nuria Moreno, though the only female on stage, plays Alice as if she were just another female impersonator. As the Queen of Hearts and in other roles, The Incredible Orlando is as predictably gross as ever. Kemp himself is Dodgson, Carroll et al, and is more dim and sappy than I had recalled. There's not much left but the eye-liner.

Alastair Macaulay



Lindsay Kemp and Nuria Moreno

Radio

Revolutions remembered

WE ARE all celebrating the bicentenary of the French Revolution and neglecting its less admirable facets, so naturally the classic serial on Radio 4 on Friday afternoon is A Tale of Two Cities. Although nothing very exciting happened in its first instalment yesterday, it should turn out pretty well, if they can run to such casting as Richard Pasco for Jarvis Lorry, Marianne Denham as Dr Manette and Barbara Leigh-Hunt as Miss Pross. Charlotte Attenborough is Lucie, and we are to have Charles Dance as Sydney Carton. Ian Coterrell directs.

On Thursday, Radio 4 journeyed The Hundred Leagues from Paris, where Colin McLaren described the typically individual revolution of the Marseillais, more concerned with the price of bread and the unjust taxes than any implied faults of king or aristocracy. The programme dealt more with names and dates than with excitement, but it was good to have our minds

taken off the Bastille and the guillotine for a change.

Ronald Frame's interesting play Marina Bray (Radio 3, Tuesday) was based on an idea rather than a plot. "Life is a series of returns to what has been before," novelist Marina says - just as well, for she dies in a car crash within a minute. We are then given a diachronic view of Marina's life, moving forward and back through all she had foreseen in the womb. Once as a little girl she saw a strange woman in the house, but her father insisted she saw nothing.

Marrriages, livelihoods, infidelities, are mentioned rather than expounded - a cobweb of detail in which Marina has a Priestleyesque sense of having been there before. This whole family pattern is, in fact, the plot. No one as half-omniscient as Marina could be happy. She knows her husband is having an affair; her own affair "has the finishing line in sight." Visiting the family home afterwards, Patricia and Oliver, Marina's brother and sister, sense a child in the house. And we are back at that former time when little Marina saw a strange lady. "Who are you?" she calls again. We know now who she was.

Family life of another kind was displayed in Christopher Reason's Box of Chocolates (Radio 4, Wednesday), a savage, funny monologue spoken by Prunella Scales as excellently as you would expect from this splendid player. Lord Reith's centenary was marked in a two-part programme, Reith Remembered, on consecutive Wednesdays (repeated Sundays), presented

by Frank Gillard. Reith might not have approved of it. (As his daughter said of his commemoration service at the Abbey, Tuesday) "He would have been annoyed - but pleased." The first part was an anecdotal account of his life up to his resignation from the BBC - five years as a locomotive engineer in Glasgow, service as a Sapper during the war, then his appointment to this unrivaled company, at £1750 a year.

As DG, he coped with the general strike, when Churchill wanted to take over, with television, which left him cold; with the abdication of King Edward VIII; but he never felt fully stretched. "What a curse it is," he wrote in his diary, "to have outstanding ability and intelligence." But whatever his qualities, when he left the BBC he went only to Imperial Airways. In his later days, covered in the second programme, he was Chamberlain's Minister of Information until Churchill (they disliked each other) moved him to Transport, then to Works, and finally he was found a job in the Admiralty.

Though he never got the kind of position he wanted, he pulled the Colonial Development Corporation together in his nine years there. As Lord High Commissioner for the Church of Scotland, he was at last capable of representing the Queen; but he would not speak to his Chaplain, who was his son-in-law. The account of family life given by his son and daughter sounds distressing. It would have been interesting to hear more of his notorious diary, his "safety valve."

B.A. Young

KATE GANZ LTD EXHIBITION OF MASTER DRAWINGS 1500 - 1900 28th June - 8th July At DOUWES FINE ART 38 Duke St, St. James's, SW1 01-839 5795 10-5.30pm daily 10-1pm Sat

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Pick of the week CHRISTIE'S THIS HIGHLY IMPORTANT bracket clock once belonged to HRH The Duke of Sussex, George III's son. Made by Thomas Tompion, one of the greatest pioneers in horological engineering who worked in London between 1671 and 1713, this superb timepiece includes a remarkably sophisticated movement. It will be sold in the sale of Highly Important Clocks at Christie's King Street on Wednesday, 5 July at 11.00 a.m. This impressive sale includes other works by Tompion, especially a newly discovered boxwood longcase night clock (£250,000-400,000), as well as superb clocks by leading makers from the golden age of English clockmaking, such as Joseph Knibb, Daniel Quare, Thomas Windmills and Edward East. For further information on this and any other sales in the next week, please telephone (01) 839 9060. 8 King Street, London SW1 85 Old Brompton Road, London SW7 164-166 Bath Street, Glasgow

SPORT

Looking at the end of a tennis era

To be aged over 30 is to be a veteran in tennis terms, says John Barrett. He has been admiring the young crop of players at this year's Wimbledon championships

WHEN THE 17-year-old wonder children Arantxa Sanchez Vicario and Michael Chang won the singles titles at the French Open they received due acclaim. But many were the people in the game who forecast that when it came to Wimbledon and grass things would be different.

But Sanchez in particular proved yesterday that she is a fast learner. On two previous visits to Wimbledon she had never won a match but, against the lively Italian, Rafaela Reggi, yesterday, the diminutive Spaniard showed a court craft and a grasp of the niceties of grass court play that belied her years.



Hill and farewell: Connors (left) goes out. But it's business as usual for John McEnroe



Then, after sharing the first six games, she broke service and coasted home, blowing kisses to her friend Judy Nelson in the crowd. Now she faces another Australian, Nicole Pietrangeli, who hits the ball considerably harder than Miss Radford.

and 3 1/2 hours' hard labour before defeating Darren Cahill in the first round. He dropped a set in overcoming Richey Reneberg in the second round. Today McEnroe will play Jim Pugh for a place in the last 16. Pugh, a doubles specialist, can handle himself in singles too, as McEnroe discovered in the unofficial Wimbledon tournament last week when Pugh beat him. It is likely that McEnroe will average that set-back but it is all proving very hard work indeed on the wrong side of the watershed.

THE NEWSPAPER boy outside the stewards' enclosure was spreading gloom and doom on the opening day of Henley Royal Regatta. "Terrible news, terrible news," he cried, "rail strikes every day."

break is for crews to practise, not for lobster and strawberries," says the effervescent Peter Conti, management committee chairman.

Party time at the regatta Phillip Halliday celebrates Henley's 150th anniversary This anniversary year began producing records before the first attention, set, go, resounded around the start at Temple Island, some 1 1/4 miles from the finish.

equalled the record of 7 minutes 40 seconds set by Sean Drea in 1976. There was an upset in this event yesterday when defending Diamond Sculls champion, Australian Hannah MacLachlan was beaten by the heavier Dutchman Hans Kelderman.

yesterday saw off the Leander pair, Charles Brook-Partridge and Mark Partridge. "Sleep is for wimps," should be the motto of the Power Ten crew from New York. The unlikely line-up has a distinctive Wall Street flavour: investment banker, analyst at Morgan Stanley and First Boston and riding the bows Mike Meehan, 49-year-old senior stock trader at Salomon Brothers.

CROSSWORD

No. 6974 Set by CINEPHILE Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday July 12, marked Crossword 6974 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday July 15.

Crossword puzzle grid with numbered squares and some pre-filled letters.

ACROSS 1 Front for an outsider in foreign faith (6) 4 Equally hot line is different number (8) 10 Money-lender's relations have glossy fabric (9) 11 Stiff and cold with leader missing (5) 12 Lose energy that can be waved (4) 13 Saying how to make the gap hop (10) 15 Drive back in case of vegetables (7) 16 Punish severely for brief hour among rubbish (6) 19 Have another pull: keep it away from Taurus? (3,3) 21 One pound in Capricorn: he starts as a giant (7) 23 Material change of colt to pony (10) 25 Body holder could be drunk we hear (4) 27 Excel, striking note (5) 28 Where yes-men live and dream? (4,3,3) 29 Fraction one may have to pay for (6) 30 In October one finds a fairy (6) DOWN 1 Drunkard at party of ways may be laid (4,4) 2 Crustacean with pupil on tree (4,5) 3 Noble first? (4) 5 Is head of seaman's union put up as example of activity at present? (7) 6 Entertaining item: crustacean put her bottom in the air? (4,6) 7 "Bird" is better than "bird" (5) 8 French lady deranged her soul (6) 9 Southern hill in town struck by earthquake (6) 10 Winged soldier's award for security is a rousing affair (5,5)

TELEVISION & RADIO

SATURDAY

Granada 11:00 am The Chart Show. 1:40 The Duke Lives On - John Wayne. 2:15 The Incredible Hulk. 3:15 The Incredible Hulk. 4:15 The Incredible Hulk. 5:15 The Incredible Hulk. 6:15 The Incredible Hulk. 7:15 The Incredible Hulk. 8:15 The Incredible Hulk. 9:15 The Incredible Hulk. 10:15 The Incredible Hulk. 11:15 The Incredible Hulk.

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